Nation's Business

USEFUL LOOK AHEAD

OCTOBER 1962



COMMUNISM: WHAT LIES AHEAD

How to tell where candidates stand PAGE 40

Qualities of victory: **Patriotism** PAGE 38

You can cure overlapping management PAGE 86

What space race will do to you PAGE 31



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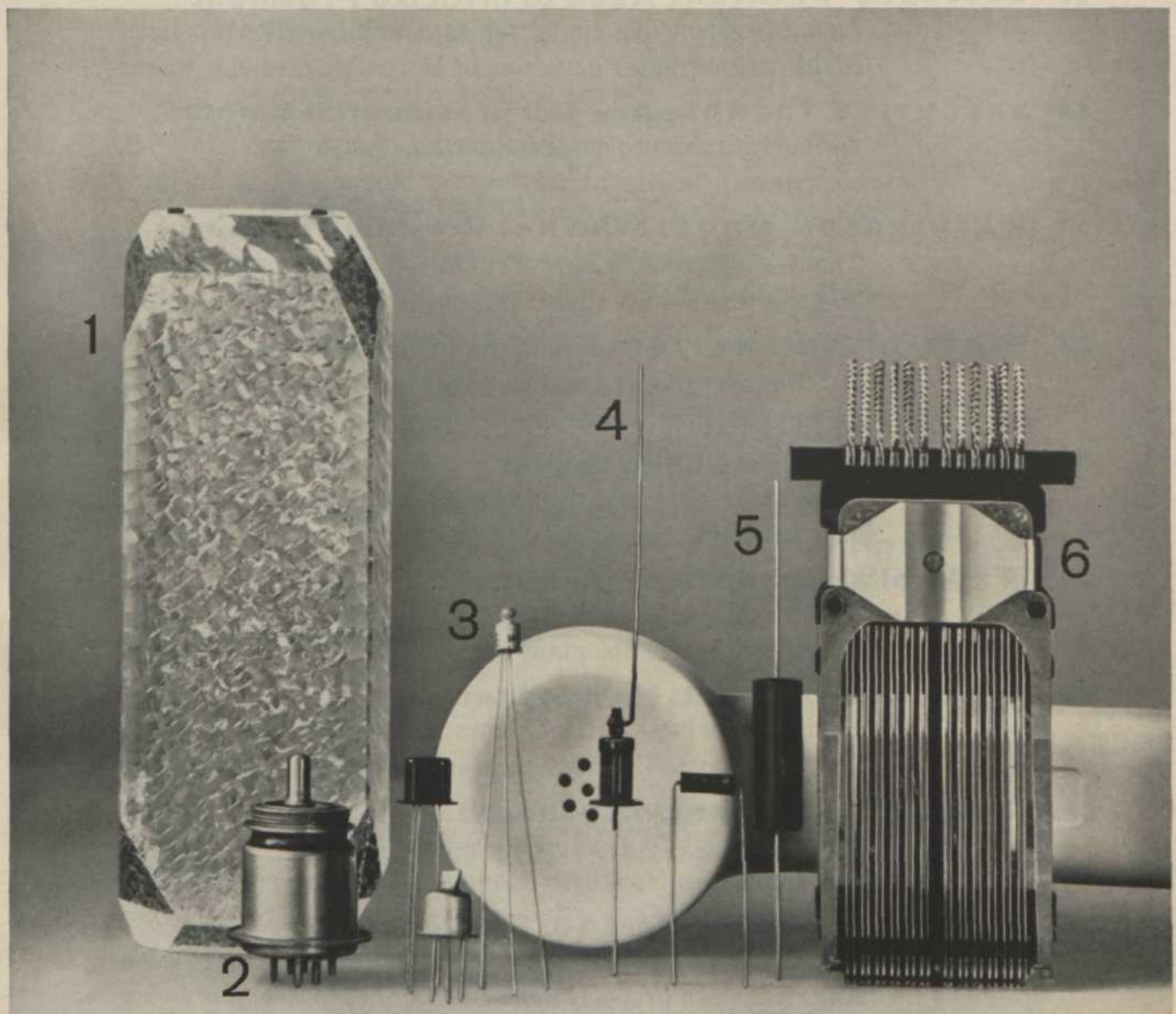
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Products shown above: 1. **Quartz crystal:** "grown" flaw-free by Western Electric to help multiply capacity of communications networks. 2. **Electron tube:** amplifies signals carrying up to 600 voices for microwave transmission. 3. **Transistors:** invented at Bell Laboratories and made by Western Electric to do the work of full-sized electron tubes. 4. **Diode:** a semiconductor device which is used in switching, detecting and rectifying applications. 5. **Resistors:** for precision control of electrical currents in all telephone transmission. 6. **Wire spring relay:** integral part of switching equipment to channel calls through telephone network.

Nation's Business

October 1962 Vol. 50 No. 10
Published by the Chamber of Commerce of the United States
Washington, D.C.

7 **WASHINGTON BUSINESS OUTLOOK**
Trends indicate upward drift of economy in coming months; good Christmas season expected; tax cuts would help in '63

10 **BUSINESS OPINION: Need to criticize President**
Lack of responsible opposition to Administration's policies could invite greater government intrusion, a reader warns

14 **EXECUTIVE TRENDS: Are you presidential timber?**
Authorities discuss qualities needed by men who run U. S. companies; "assistant to's" get a bigger role in business

23 **WASHINGTON MOOD: Who has President's ear**
The three P's of the New Frontier—political, professorial, and personal—have most influence with chief executive

27 **STATE OF THE NATION: Judicial misinterpretation**
If Supreme Court views property rights and human rights as antagonistic, balance in our federal system is weakened

31 **What space race will do to you**
Crash program could dominate economy by increasing role of government, cornering scarce talent needed by industry

34 **"Federal aid could be disastrous"**
Sterling M. McMurrin, recently resigned Commissioner of Education, warns too many states yield role to Washington

35 **School boards insist: No need for aid**
Nation's Business survey shows most school boards assert that best way to finance education is with state, local funds

36 **Competition is changing your job**
Authority lists four major steps to help your company meet new challenges from both foreign and domestic competitors

39 **Qualities of victory, Part 10: Patriotism**
Marine Corps Commandant David M. Shoup tells how all Americans can properly demonstrate their patriotism today

40 **How to tell where candidates stand**
This list of questions can assist you in evaluating the views and testing probable performance of those seeking election

42 A LOOK AHEAD: Drive increases exports
Aggressive trade program of Commerce Department aims at helping solve nation's balance of payments problem

51 PERSONAL OUTLOOK: How to be an election pundit
New handbook of facts about elections helps to spot trends; experts offer advice on avoiding red tape if you visit Russia

57 Communism: What lies ahead
Five experts, including a top presidential adviser, predict coming cold war moves and outlook for the Soviets' system

59 Long-range challenge

62 Battle of ideas

68 Economic warfare

76 Red subversion

78 Soviet science

86 You can cure overlapping management
Duplication of effort often results from four causes; here's how to spot them and increase executive efficiency

105 Your words tell what you are
Researchers find that the way some people talk provides new clues which you can use in spotting potential leaders

116 Wage law boosts unemployment
Business executives throughout country report impact on jobs, profits, training, prices, expansion, and foreign trade

126 Fiscal responsibility
Future congressional rejection of costly Kennedy programs would boost prospects for tax cuts the President requests

Nation's Business is published monthly at 1615 H St. N.W., Washington 6, D. C. Subscription rates: United States and possessions $19.75 for three years; other countries $10 a year. Printed in U.S.A. Second class postage paid at Washington, D. C., and at additional mailing offices. *Copyright, 1962, by Nation's Business—the Chamber of Commerce of the United States.* Nation's Business is available by subscription only.

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In almost 2,000 Sears outlets the use of Recordak Lodestar Readers and microfilm in magazines cuts look-up time for parts catalog pages from 3 minutes to 20 seconds.

Sears 20-second picture

An intriguing story for businessmen—how Sears, Roebuck and Co.'s desire to serve customers faster led to a most important advance in information retrieval . . . the RECORDAK Lodestar Reader.

A few years back the look-up time at Sears parts replacement counters seemed fast enough.

Say you wanted a new part for your Kenmore Automatic Washer. You gave the girl the model number. She chose the right parts list binder from the fifty or so stacked on the shelves . . . thumbed through it . . . there, in about three minutes, was the page with the parts data.

How could you improve on that? Sears management, looking ahead, felt it had to. Its appliance sales were booming—some 3,000 models requiring parts listings were being introduced each year. More and more shelf space was needed in each store. And, with stepped-up reference, pages had to be replaced at a faster rate. Re-runs of out-of-print parts lists were costly.

Sears thought a unique microfilm library and film reader might be the answer.



show!

RECORDAK enters picture

Only natural for Sears to turn to the originator of modern microfilming . . . Recordak Corporation (Subsidiary of Eastman Kodak Company).

The challenge: Develop a microfilm reference system that's faster, more efficient, more automated than anything known!

Recordak systems men and Kodak engineers, working with the Sears objectives in mind, started from scratch—came up with a unique way to index microfilm images of parts catalog pages . . . a unique way to house the film . . . a unique reader to project it.

Birth of a remarkable new concept

Here you see what Sears was hoping for: Recordak microfilm images of 3,000 Sears parts catalog pages in a trim magazine.



Slip it into a slot on the Recordak Lodestar Reader and the machine turns on. Flick a lever and the film's running at speeds up to 600 ft. per minute. The code lines projected on the reader screen lead right to the pages you want.

Got all the parts data? Flick another lever and the film rewinds automatically into the magazine. *Hands never touch the film!*

The job's as simple as that, now, for Sears people in almost 2,000 locations. Look-up time has been cut from 3 minutes to 20 seconds, and parts data is always current, legible and complete for Sears customers.

Other savings: Bulky parts catalogs which took up 20 ft. of shelf space were replaced by Recordak microfilm in unique magazines requiring only 11 inches of space. In addition, Sears parts lists no longer go "out-of-print" since low-cost duplicate films can always be rushed out from the Recordak microfilm negatives. And new parts lists can be made and distributed faster and at much lower cost.

See it on your next trip to a Sears store

When you see how the Recordak Lodestar Film Reader, with magazine loading, performs in the toughest proving ground of all—the busy retail store—you're bound to think of ways it can speed reference and trim costs in your business. We'd like to give you details on many popular uses. No obligation whatsoever!

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—now in its 35th year



C-10

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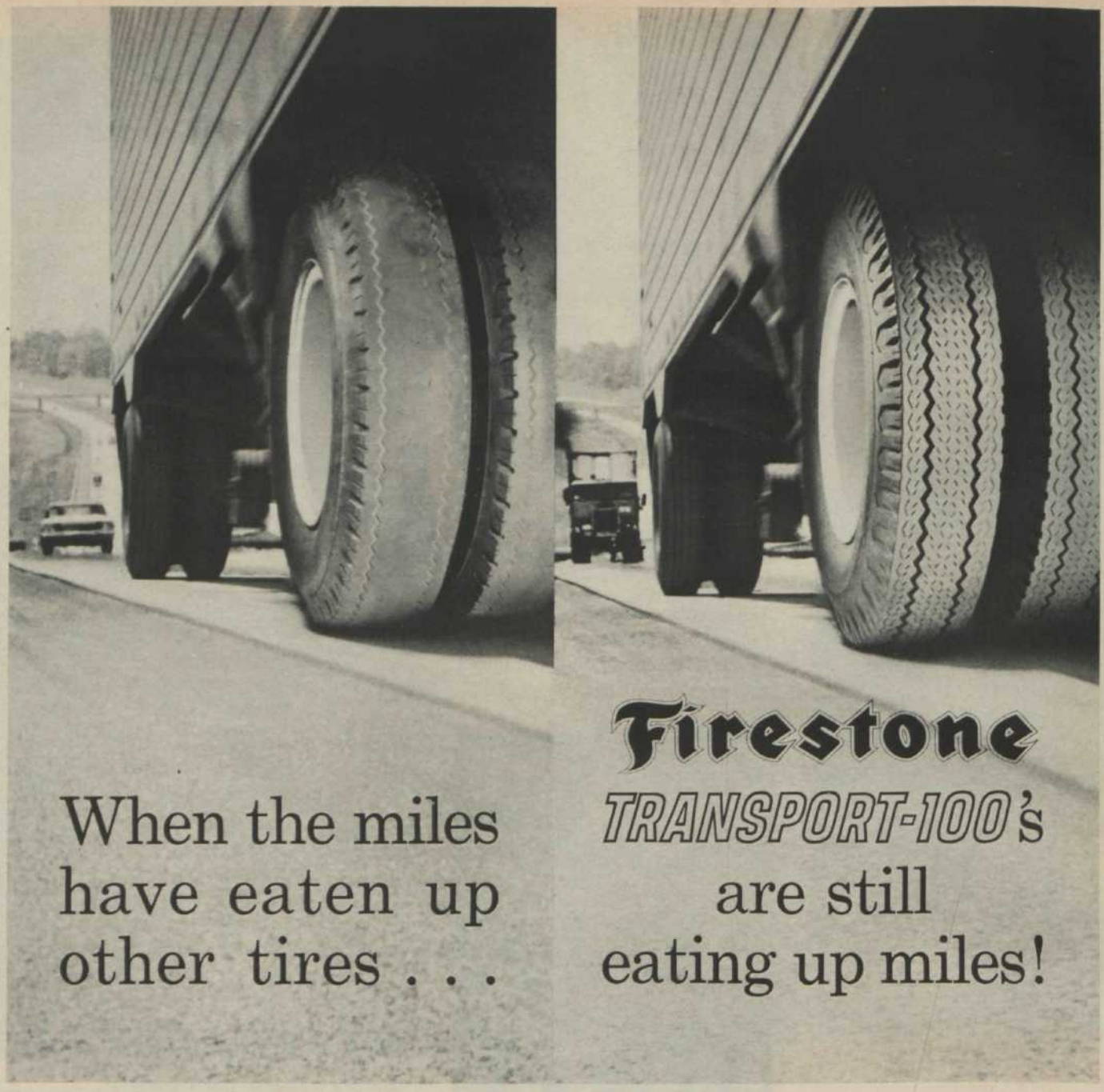
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Firestone TRANSPORT-100's are still eating up miles!

YOU GET THIS MONEY-SAVING MILEAGE BONUS FROM FIRESTONE—WITHOUT PAYING PREMIUM TIRE PRICES! Independent fleet operators across the country who roll on Firestone Transport-100's are reporting tire mileage increases of 50% more than Firestone's previous first line tire, plus much greater traction. The reason: A broad, flat center rib cuts down squirming and scuff wear. And the wide tread face grips the road with more than 1,000 deep traction slots. Get Firestone Transport-100's—in nylon or Tyrex® rayon cord, tubeless or tubed—at your Firestone Dealer or Store. For new trucks and trailers too, *always specify* **Firestone** *—Your Symbol of Quality and Service.* You know what you're getting when you buy Firestone.

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WASHINGTON **BUSINESS OUTLOOK**

Business is tilted slightly upward.

That trend is expected to continue.

Economy is strong in most of the country, growing stronger day by day, setting many new records month after month.

But there's definite slowing in the rate of national expansion.

Here's how growth looks now:

Volume rose more than $16 billion in final three months of last year (calculated at annual rate).

Up $6.4 billion in the first three months this year.

Up $7 billion in second three months.

Now, in three months just ended, it's estimated that business rose by $5 billion.

Christmas season? Similar rise expected.

This is what economists have in mind when they tell you that the national growth rate appears to be running out of forward oomph.

Doesn't mean business is bad. Means it's just not rising as fast as people would like to see.

Washington currently anticipates no slump.

There's no specific evidence yet that the fifth postwar recession is a sure thing.

It could come this winter—but new signs of strength are showing up, tending to erase pessimism of a few weeks ago.

Here's how leading Washington economists view next year at this time:

There'll be a continuation of expansion from quarter to quarter, with more thrust showing up in the second half of '63.

One economist calls this "retarded vigor," giving way to renewed economic vigor by end of the year.

Forecasting is tricky at this time. A small percentage change in sales could make the difference between expansion and recession. Odds favor the optimistic view.

What importance should businessmen attach to sentiment as a force influencing business?

Question is answered for Nation's Business by Ragnar D. Naess, senior partner of Naess and Thomas, investment counselor and noted economist:

"Sentiment is of secondary importance. It usually is based upon underlying business conditions. While it is not of sufficient importance to change conditions themselves, it can magnify the underlying situation.

"In boom times people tend to be too optimistic and this optimism adds slightly to business.

"Conversely when business is bad people's pessimism magnifies the seriousness of the situation."

What about stock prices?

"Stock price trends are similar to sentiment in that they reflect underlying business conditions and may slightly influence a situation, but they are not the cause for either good or bad business times."

What strengths does Mr. Naess see in the economy at this time?

"The underlying strengths are the high level of incomes and the prospects that these will

Consumer credit expands moderately

'59	$51.3 billion
'60	55.8 "
'61	57.2 "
'62	58.5 "

Consumer credit outstanding

be maintained even if business were to decline; the sound financial condition of business, the consumer, and the banking system.

"There are no credit excesses—contrary to earlier periods—most long-term debt is amortized and regular schedules for repayments are faithfully followed for the most part."

And weaknesses?

"Weaknesses in the economy are the accumulation of inventories which has been going on since the inception of the present recovery, the lack of sufficient capital goods spending, and the continued deficit in our balance of payments.

"This is troublesome since there appears to be a sizable amount of short-term funds which are invested in one of the two reserve currencies—the dollar or the pound—causing recurring weakness in one or the other.

"Most proposals that purport to strengthen the two currencies include certain factors which could be deflationary for the world economies."

Will the new depreciation schedules help spark new economic vigor?

"They do not appear to be of sufficient import to spark a boom in capital spending at this time.

"They should, however, magnify the size of the next capital goods boom."

What's needed for new economic bounce is a tax cut.

On this there's widespread agreement.

President Kennedy promises to press for big reform of tax laws next year, cuts to be effective in January.

But tax cuts will be no shoo-in. Reason is there's mounting concern in Congress that $300 billion of federal debt is too much government on the cuff and tax cuts might result in a frightful debt increase.

Economists point out that a debt increase is likely to come anyway unless there's much greater effort to hold down nonessential government spending.

More than 600 spending projects are outlined for the current fiscal year. Study of each item shows that economies could be made in more than 100 of them.

For example, Uncle Sam could:

Save $27 million by not building federal power transmission lines that would duplicate investor-owned lines already in operation.

Save $117 million by not granting direct government loans to businesses with highly questionable credit ratings.

Save $90 million by leaving construction of waste treatment plants to state and local governments.

Save $9 million by eliminating net cost of TVA fertilizer production and by buying coal for TVA instead of purchasing coal lands and coal-mining rights.

Hundreds of millions could be saved through reforms in foreign aid, farm subsidies, federal loans and involvements of many sorts in strictly local activities, and by eliminating overlapping, duplicating and wasteful and useless government activities.

See page 126 for additional billions that could be saved in future years.

Purchases by government soar to new records

'60	$100.8 billion	
'61	106.9	"
'62	116.0	"
'63	126.0	" (estimated)

Includes buying of goods and services by federal, state, local governments

WASHINGTON **BUSINESS OUTLOOK**

Government spending is going up—not down.

On New Year's Day look for Uncle Sam to be around $7 billion deeper in debt than at midsummer.

This fall outgo will exceed income by that much, maybe more.

Uncle Sam is spending about $62 billion a year for goods and services. This will go up at least $6 billion in another year.

State and local governments are spending about $54 billion now. This will rise about $4 billion.

Government payrolls show big growth

'60	$48.4 billion	
'61	51.8 "	
'62	56.3 "	
'63	61.0 "	(estimated)

Federal, state, local government payrolls

Government payrolls will continue to rise in year ahead.

Look at build-up.

Uncle Sam employed 215,000 people in Washington, D. C., two years ago.

Now there are 235,000 on the payroll.

That shows national trend.

For nation as a whole Uncle Sam now has more than 2.3 million civilians working for federal agencies.

Add state and local government workers.

Grand total now is 9.2 million working for governments in U. S.

That's up a million in three years.

Government payrolls totaled $48.4 billion in '60. This year they'll add up to $56.3 billion, going on up to an estimated $61 billion next year.

Try this question on your friends:

Which state has the largest number of federal employes?

Answer is California (with 247,000).

That's more federal employes than work in the nation's capital.

New York State ranks next.

Then come Pennsylvania and Texas.

Watch for factory pay to get up to $100 a week—average for all industries next year.

Weekly average already is more than $96.

It's up from $92 last year.

Many industries already pay more than $100. All durable goods industries, for example, paid $100.10 weekly average last year, now are paying about $105.

Factory pay could reach average $2.50 an hour in time for Christmas next year (excluding fringe benefits).

These trends point to the likelihood that you'll be paying your workers more next year —probably eight to 10 cents more an hour, plus fringe benefits.

Factory pay continues upward trend

'59	$88.26
'60	89.72
'61	92.34
'62	96.56

Average pay per week

$24,245,500 of INDUSTRY GROWTH *AIN'T HAY!*

In the first half of 1962, the Metropolitan Oakland Area—Alameda County, California—gained $24,245,500 in industrial growth. This included 36 new industries locating here and 80 expansions of existing ones.

Almost any county or city can persuade an industry to locate within its borders, but when existing industries *expand*—that's proof the community really has something.

And MOA Does Have Something!

Good indication of the worth of the Metropolitan Oakland Area—Alameda County, California—is the fact that General Motors is building an assembly plant on 416 acres for its Buick-Oldsmobile-Pontiac division. This big plant will be in production in time for the 1964 models.

For some of the outstanding facts which led General Motors to make this tremendous expansion of their facilities it has maintained here for many years, have your secretary pin this advertisement to your letterhead, add your name and mail to us. We'll send you the handsome brochure illustrated below, without obligation, and in strictest confidence. After all, if it's good for General Motors, it ought to be good for you.



MOA METROPOLITAN OAKLAND AREA

ALAMEDA COUNTY, CALIFORNIA

Suite 1325, 1320 Webster St., Oakland 12, Calif.

ALAMEDA ALBANY BERKELEY
EMERYVILLE FREMONT HAYWARD
LIVERMORE NEWARK OAKLAND
PIEDMONT PLEASANTON SAN LEANDRO
UNION CITY RURAL ALAMEDA COUNTY

Business opinion:

President's actions must be open to criticism

THE TENOR of "Dialogue Between Government and Business Can Help Both" [August] appears to be that the controversy between the President and business should not become too emotional lest the differences be exaggerated.

With this there can be no quarrel. Any argument should be conducted as unemotionally as possible. However, the antidote you seem to present is that business should curb its criticism of the President's attitude and actions. Your conclusion goes a little farther than a plea for reasonable objectivity. It seems to advocate a toning down of criticism, not only if it is exaggerated, but because it might be harmful to the nation's political health.

This, I believe, is barking up the wrong tree. Certainly no individual businessman should be held more responsible for the health of the economy than should the President. If anyone is expected to be objective and unemotional it is the President.

To follow the course you advocate would, in my opinion, merely tend to reflect a condoning and an acceptance of the President's actions. Perhaps the short-range health of the economy would thus be benefited by creating an artificial calm. But the long-range health could conceivably be jeopardized since the apparent lack of opposition would be interpreted by the President as acquiescence to his policies and thereby tend to promote still greater intrusion of federal government into the affairs of business.

R. K. KLEIST
Park Ridge, Ill.

Try an alternative

The two articles in your July issue on reapportionment, while very informative, revealed a certain amount of clouded thinking. We all know that reapportionment has been disgracefully delayed in many states and unfairly carried out in others. The real problem is to avoid further unfairness and at the same time preserve our traditional policy of checks and balances.

I would like to suggest that we broaden the range of possible answers. Posing the question as one of representation by number of voters vs. representation by geography is too tight a restriction.

An interesting alternative would be to have the two houses of a bicameral legislature elected on the following bases:

Upper house members elected to represent geographic areas, but apportioned on the basis of population.

Lower house elected in the state at large, but subject to proportional representation on the model of some European parliaments. Thus a minority faction could concentrate their votes on their favorite candidates and have a fair voice in legislation just as a minority faction is able to elect members to a company's board of directors.

I do not particularly advocate this solution, but use it to illustrate the possibilities for new answers.

THOMAS L. GERBER
White Plains, N. Y.

Dr. Morley's vantage point

Once again, in your September issue, Felix Morley scores valuable points for sanity in the schools, by pinpointing the problems of student "Slobism." Mr. Morley seems to speak with authority and I've enjoyed his articles for about five years now.

But who is Felix Morley? From what vantage point and background does he form his views?

T. J. RESNICK
Resnick & Co.
Chicago, Ill.

► *Dr. Morley is a distinguished*



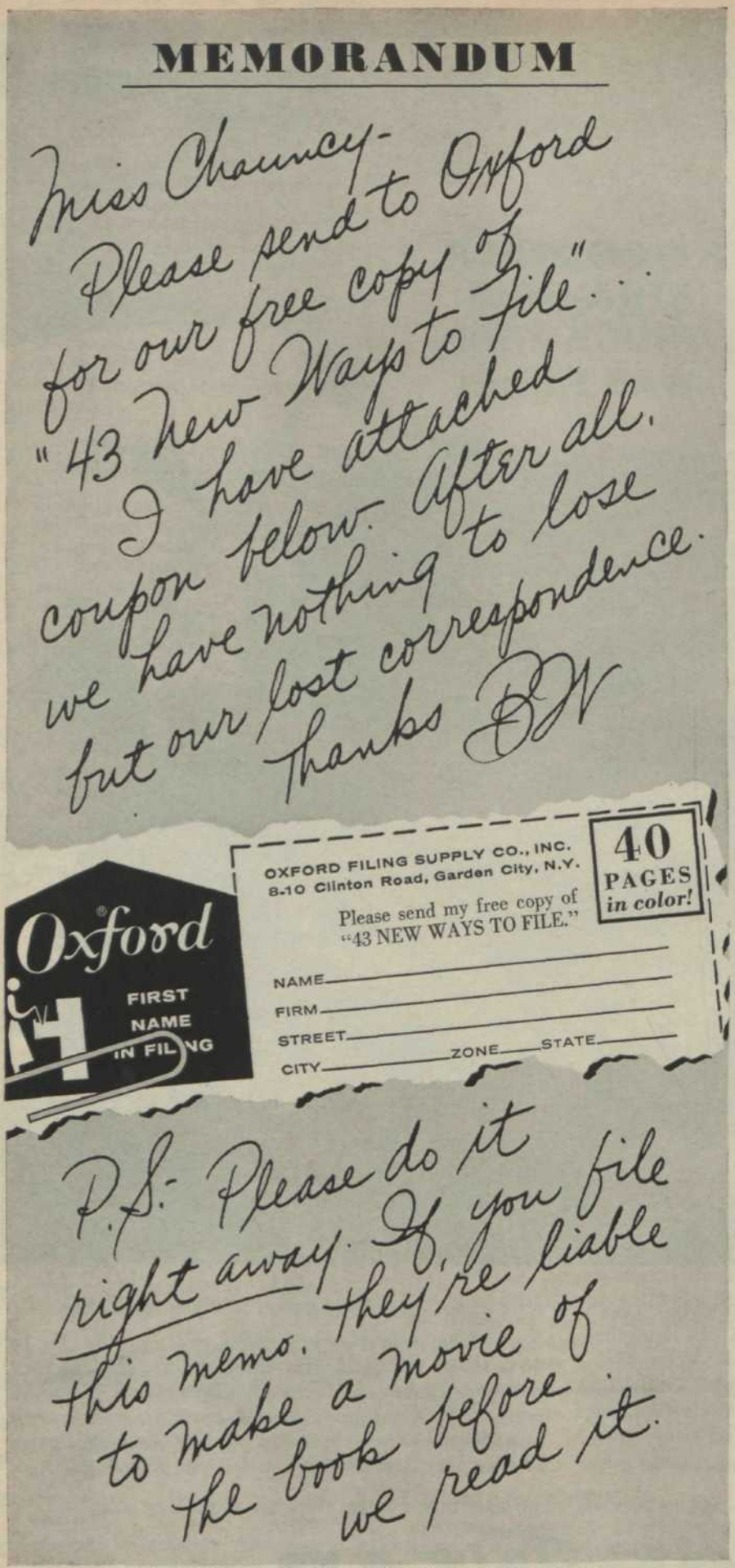
Was here is right. Goodyear Xtra-Grip pulls through the mud and snow that leave ordinary truck tires slipping and spinning. That's because the Hi-Miler Xtra-Grip truck tire delivers up to **35% MORE TRACTION** than conventional tires. Truly, this is a safety-first tire. On rain-slick streets or back roads—in ice, snow, slush, mud—there are rugged, deep-biting lugs—more gripping edges—to get you going, and stop you safely.

Xtra-Grip tires give you extra *mileage*, too. Up to **40% MORE MILEAGE** than the regulars, because they put more rubber on the road—rubber made of special extra-tough compounds. So for more traction—more mileage—get Xtra-Grip. Today. See your Goodyear Dealer or Goodyear Service Store. Goodyear, Akron 16, Ohio.

ANOTHER REASON WHY: MORE TONS ARE HAULED ON GOODYEAR TRUCK TIRES THAN ON ANY OTHER KIND

GOODYEAR

Hi-Miler—T.M. The Goodyear Tire & Rubber Company, Akron, Ohio



OXFORD FILING SUPPLY CO., INC., Garden City, New York
In Toronto, Luckett Distributors, Ltd.

Business opinion:

author, educator and political analyst. He holds an A.B. degree from Haverford College, Ph.D. from The Brookings Institution, D.Litt. from The George Washington University, and LL.D. from Hamilton College. He has been president of Haverford and editor of the Washington Post, *where he won a Pulitzer Prize for editorial writing. He is the author of several books.*

Tax men with problems

We are planning a series of seminars within our division. Attending will be sectional supervisors and other administrative personnel who have common management problems and whom we feel could benefit by reviewing and discussing various articles from your publication.

We respectfully request permission to reprint various articles from NATION'S BUSINESS for distribution to these supervisors.

RICHARD B. EDMONDS
Division of Sales, Excise and Highway Use Taxes
State of Ohio
Columbus, Ohio

Road to unemployment

It is frequently difficult for a businessman to take time out to express himself on national issues, but "U. S. Seeks Power to Police Payrolls" [August] compels me to make a few observations:

The U. S. is at a serious disadvantage in world trade. Union blackmail has hoisted U. S. pay above competitive levels. Minimum pay serves as a lever to hike all pay and again makes us uncompetitive, all of which greatly increases the number of jobless.

It is a myth that men and women should receive equal pay, without benefit of normal American competition. In some lines women are worth more than men; in most cases less. Women do not have the strength or stamina required of men in some industries.

Again this bill would increase the payrolls of American business by millions and further destroy our national competitive position, resulting in more unemployment and a tragic decline in American productivity. It is not aimed to help anybody except to build up another big new federal agency with thousands of faithful party workers paid to spy and destroy American business.

C. ERNEST WOOD, PRESIDENT
The Wood Press, Inc.
Plaistow, N. H.

You're a businessman.

Doing okay.

Taking out enough to live decently.

But...

you're plowing plenty back.

Plus, you've got all those taxes.

And expenses...murder!

You can't put a nickel away.

When you want to retire...

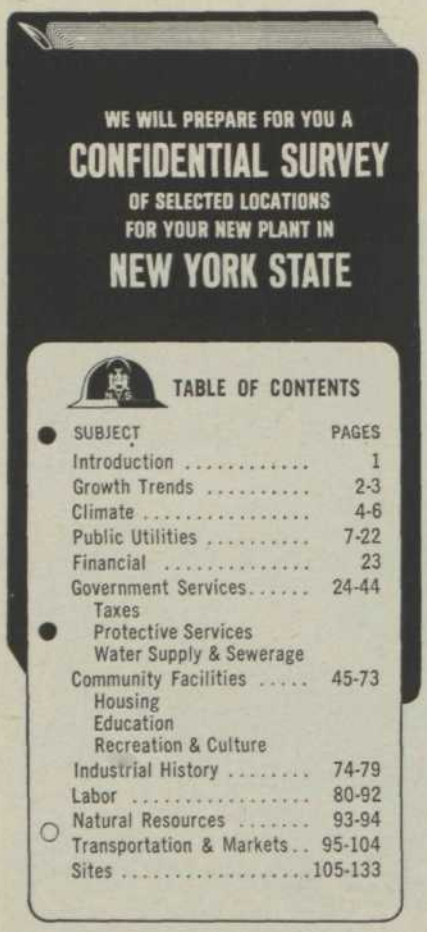
where will you find the cash to do it?



A MONY Pension Plan is the answer. MONY Pension Plans with Cash Values build up sizable lump sums (not just income) for you and your employees at retirement. Premiums are a deductible business expense . . . and the lump sum you take away at retirement is taxed at the favorable capital gains rate . . . provided the plan meets Treasury Department requirements for a qualified plan. Ask a MONY specialist to show you how these plans work. Or send for a leaflet with facts and figures. Write The Mutual Life Insurance Company Of New York, Department NB-10, 1740 Broadway, New York 19, N. Y.

MONY
MUTUAL OF NEW YORK

FREE TO COMPANY OFFICIALS LOOKING FOR A NEW PLANT SITE



TAILOR-MADE. This confidential report is not taken off the shelf. It will be prepared specifically for you, based on the requirements for your new plant as you give them to us. Send these requirements on your business letterhead to Commissioner Keith S. McHugh, N.Y. State Dept. of Commerce, Room 350K, 112 State St., Albany 7, N.Y.

Keith S McHugh

Keith S. McHugh, Commissioner
New York State Department of Commerce

Executive Trends

- What it takes to be president
- "Assistant to's" get broader role
- Government—new training target

Your chances of becoming president of your company—or any company—in the future will be greatly enhanced if you—

Possess flexibility as a manager;

Have an attractive personality;

Have attained a master's degree in business administration, or its equivalent in practical experience and executive development courses.

That's the consensus of a number of executive recruiters who were interviewed by a NATION'S BUSINESS editor.

One recruiter, Robert A. Huttemeyer, a partner in Thorndike, Deland Associates, New York, says such classic requirements as tough-mindedness and profit-consciousness will be no less crucial in selection of tomorrow's company heads than they are today.

But he believes increasingly great emphasis will be placed on possession of a master's degree in business administration from a good business school as a prerequisite to dealing with more complex business operations.

Donald E. Wright, a partner in Antell, Wright and Nagel, also of New York, sees the emphasis in qualifications of men for top jobs swinging away from the traits of the generalist to those of the specialist.

Item: Mr. Wright reports the demand for company presidents is especially high now. He attributes this in part to the fact that more firms are moving from family ownership and management to public ownership and professional management.

• • •

Leaders in business seem haunted by a single, nagging question: How much interference can we expect from government in the days ahead?

Evidence of this concern was disclosed when the dean of a major school of business recently conferred with members of his advisory council, a group of executives from leading companies in his area.

The dean confessed his surprise at the degree of importance which these men placed on government control of business, actual and potential. "I thought the profit pinch, or some other subject, would head the list," he related to a NATION'S BUSINESS editor.

He was equally surprised by the lack of serious concern among the executives over recession talk or union demands for a 35-hour week.

After government interference, the subject in which the businessmen were most interested, the dean reported, was international trade—the implications of the Common Market in Europe, and U. S. tariff law changes.

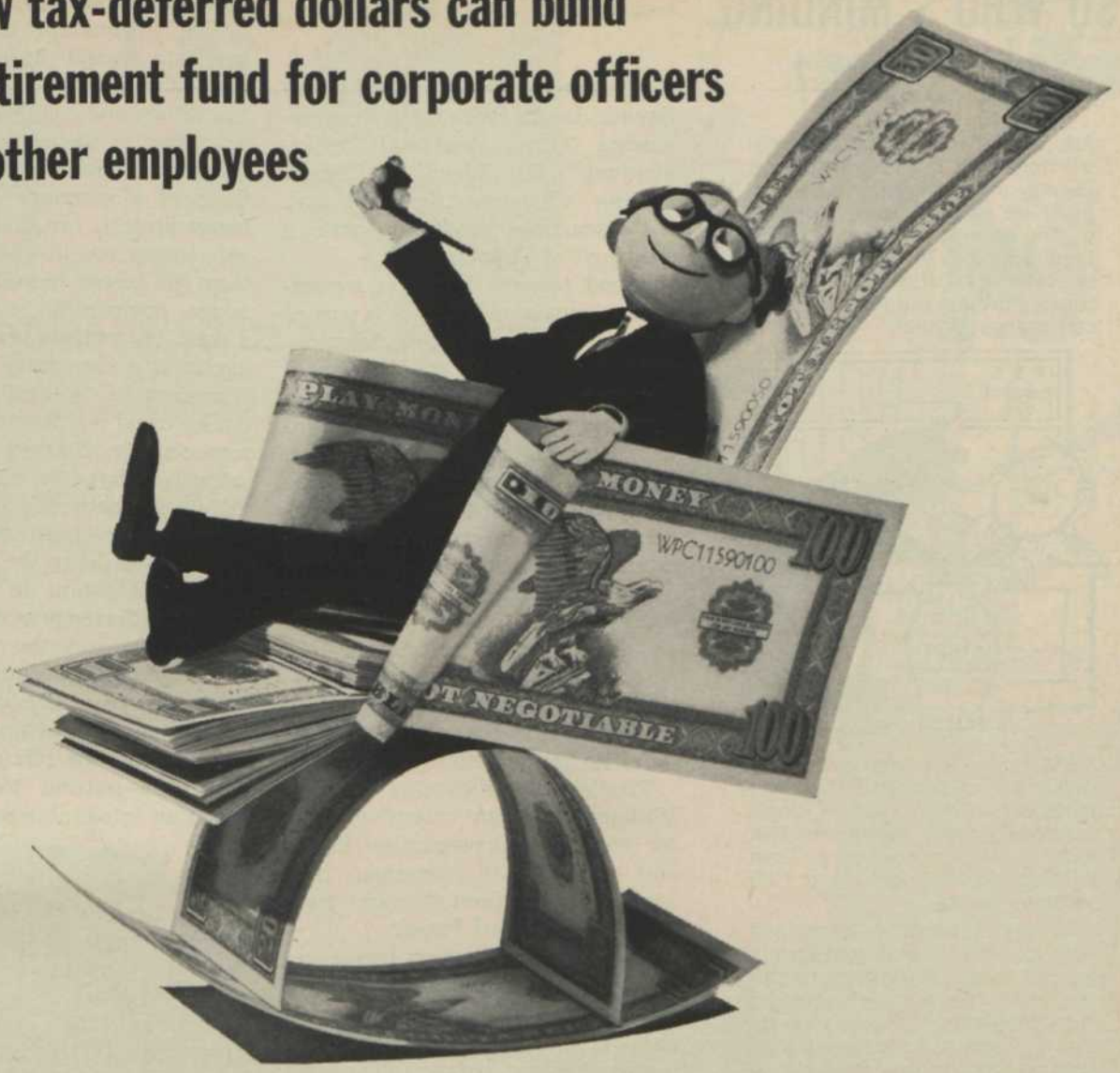
• • •

More emphasis is likely to be placed on government relations with business in future executive development programs.

Some programs already include this problem area.

Example: Forty-five high-ranking executives who participated in a development program sponsored by

How tax-deferred dollars can build a big retirement fund for corporate officers and other employees



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World Headquarters: Philadelphia

EXECUTIVE TRENDS

continued

the National Association of Mutual Savings Banks spent three days discussing "Government and the Individual." Dr. Lloyd F. Pierce, NAMSB education director, says the discussions produced "quite a crossfire" of opinion.

Trend towards focus on government's impact on business is part of growing awareness by American companies that the education of a manager is more than a matter of brushing up on such skills as planning, organizing and controlling. The individual manager must be more conscious of the total environment in which he operates, and government's relations with business figure importantly in that environment.

• • •

A record number of business executives will be on loan this fall to United Fund campaigns in communities across America.

That's the prediction of Bertram Williams, associate executive director of United Community Funds and Councils of America, Inc., service organization to more than 2,000 local United Funds.

Mr. Williams says an increasing number of businesses are lending their executive personnel to community fund-raising efforts. The motives? Civic responsibility and the awareness of benefits which such service can return to the executive and his company in broadened experience and good will.

Note: Executive recruiters say volunteer service in United Fund and similar activities is becoming more and more valuable on a manager's record. This is particularly true when firms are seeking men for key jobs in smaller communities, where they would be expected to make wide contacts and play a vital part in local civic or charitable affairs.

• • •

New opportunities are opening up for the "assistant to's" in business and industry.

Dr. Nathaniel Stewart, consultant and lecturer, says he finds increasing evidence that in many companies the "assistant to" position is shifting from a kind of training ground for the recent business school graduate to a post of increased responsibility.

The reasons for the trend, he says, are several: Matters reaching front-office attention are growing in magnitude and complexity and consideration of them needs to be put into more qualified hands than those of a secretary. In addition, many projects are difficult to delegate to any one line official because they cut across specializations and many companies seem to have soured on putting them into the hands of a committee. Hence, the "assistant to" is tapped.

The trend is important in several respects, Dr. Stewart believes: 1, executives have to insure a clean delineation between "assistant" and "assistant to" positions; 2, executives have to learn the art of coaching the "assistant to" so that he grows in effectiveness in serving the front office and the company at large; and 3, executives have to know how to utilize the "assistant to" without encroaching on the prerogatives of line officials and staff executives—putting the "assistant to" in an intolerable squeeze.

• • •

It's getting so that a company just isn't in style if it doesn't have a formal committee to help it manage its financial affairs.

The National Industrial Conference Board, in a recent survey, found that 141 of 220 responding firms have such committees. Most of the committees were created within the past five or 10 years.

Many companies say financial committees help them to tighten control over operating budgets and capital expenditures, afford management an excellent means for gathering information, and provide other benefits as well.

Among the committees' drawbacks: an inability at times to reach decisions; making decisions that more properly should be the responsibility of individual managers, and a tendency for some committees to become dominated by the thinking of one or more members.

• • •

"It's a ticklish situation in the consulting profession when a businessman tries to pick your brains without paying for it."

So spoke a management con-

(continued on page 21)



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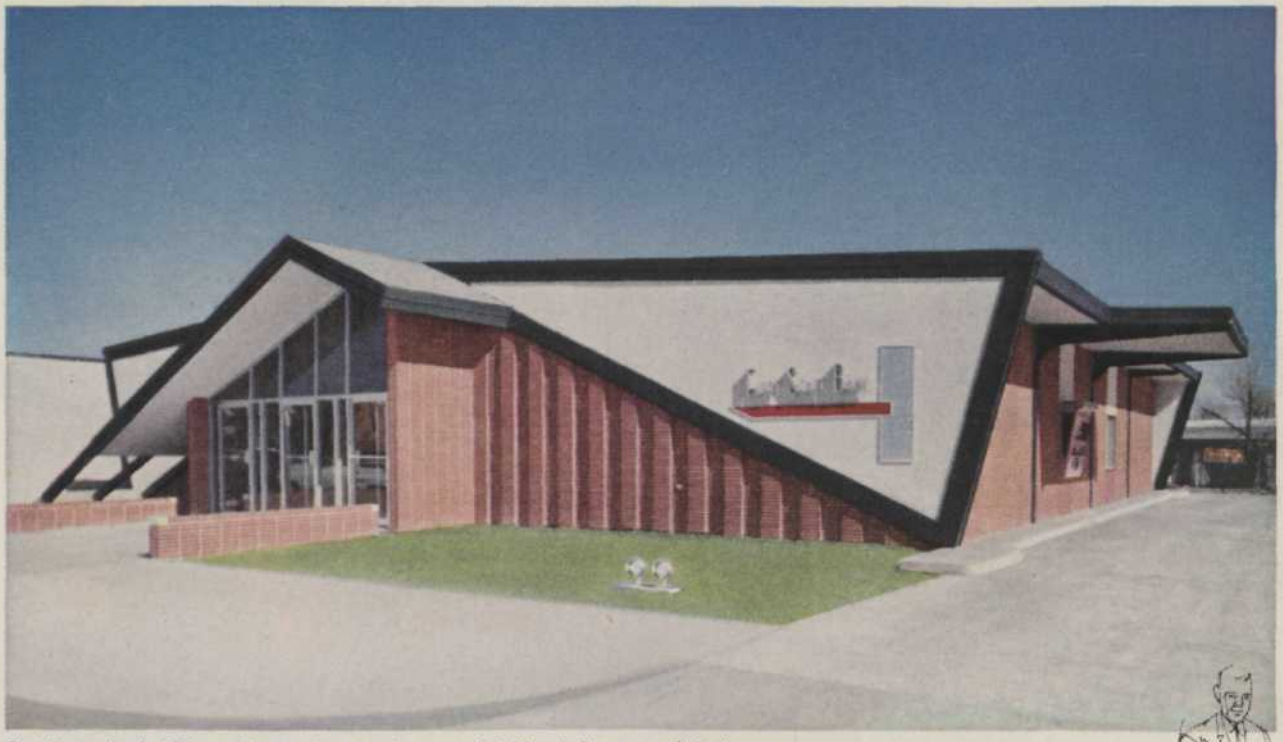
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American Legion Post No. 64, Pittsburg, Kansas. This is primarily a standard Butler building. Curtain walls consist of factory-insulated Monopanl and Modular Wall, Butler's finest curtain wall systems.



Entrance area of Plaza Lanes, Dayton, Ohio. Decorative wall treatment on this impressive Butler building combines factory-insulated Monopanl and colored block. Architect: J. E. Holland, A.I.A., Akron.



Under construction, Diplomatic Center Apartments, Daytona Beach, Florida. Owner, Chardon Theatre Enterprises Investment Corp., Gary E. Smith, President. Butler Monopanl® curtain wall proved most economical here. Architect, W. K. Smith, Jr., A.I.A., Ormond Beach.



Offices and plant of the Regis Corporation, Elm Grove, Wisconsin. Both buildings are standard Butler construction, combining high-quality Butler curtain walls: factory-insulated Monopanl and Modular Wall.



Self-service restaurant in Dayton, Ohio, first of 100 Butler buildings to be built for Nelsons Food Service, Inc., of Detroit, Mich. Design copyright by J. J. Dues, Dayton. Architect, J. E. Holland, A.I.A., Akron, Ohio.



240,000 square-foot, Galesburg, Illinois offices and plant of The Gates Rubber Company, one of America's largest manufacturers of belts and industrial hose. Butler's contribution to this modern facility consisted of the structural system, Monopanl curtain walls, and the translucent, plastic panel used as roof lighting. Consulting engineers: Structural Engineers Inc., Denver.

Below: Office at Fedco Corp., Lincolnwood, Ill., before remodeling. *Above:* Same office with Weldwood plain sliced walnut paneling.



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sultant at a meeting of the Association of Management Consultants, Inc. Members of the association had gathered for a workshop discussion of their mutual problems.

The speaker was telling how one company president had asked his advice but had stopped short of retaining him.

"What did you do?" asked another consultant.

"I resorted to a simple tactic," the speaker replied. "I told him what I thought needed to be done in his organization—but I didn't tell him how to do it."

• • •

What and who are the greatest thieves of your time?

Telephone calls and casual visitors who are merely maintaining contacts—according to Dr. Joseph M. Trickett, professor of business administration at the University of Santa Clara (Calif).

After researching the always-perplexing problem of executive time use, Dr. Trickett comes up with five recommendations for better control of your day:

1. Try to do only one thing at a time.

2. Complete each action. ("You should not lay any piece of paper down until some action has been taken on the particular piece at hand.")

3. Make your office layout fit your work needs.

4. Train your secretary to help you sort your mail, filter your telephone calls and generally aid you in getting more effective use out of each hour.

5. Set specific times for contacting subordinates. ("Each person should have a designated period during which he can expect to have an uninterrupted discussion with his superior.")

Dr. Trickett's suggestions for beating the time problem are treated at length in the current issue of the *California Management Review.*

The *Review* is a quarterly published by the Graduate School of Business Administration, University of California, Berkeley and Los Angeles.

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Three P's of the New Frontier have President Kennedy's ear

BY MERRIMAN SMITH

A WELL KNOWN Democrat left the White House recently, convinced he had sold President Kennedy on naming a specific individual to an important federal position.

The appointment was announced two days later. The job, however, went to an entirely different person whose name had not figured in the White House conversation.

"I thought for sure the President liked my idea," the Democrat later told friends. "He seemed intensely interested. We talked about my man for 20 minutes and not once did the President raise any objections."

On another occasion, a professor-turned-government-expert delivered to Mr. Kennedy a policy suggestion of several thousand words. The President leafed through the document, said it seemed interesting and promised to give the idea further study.

The author, widely regarded as one of the New Frontier inner circle, marched happily across Lafayette Square to a luncheon date, confident his idea would soon burst upon the nation as part of a presidential address or news conference statement.

• • •

Studying the paper several days later with a member of his staff, Mr. Kennedy tossed the memorandum on his desk and observed wearily that his adviser was a princely fellow with frequently excellent ideas, but this one simply was no good.

These two examples are cited to show the hazards of being identified around town as one of those fortunate few to whom the President truly "listens." Such identity becomes particularly hazardous when the bearer thereof talks a bit freely about his access to the chief executive.

The truth is that John F. Kennedy listens to a great many persons in and out of government, but this is no guarantee he will follow their advice. And that applies at times to the closest members of his staff. He is highly eclectic when it comes to sorting out the myriad recommendations that cross his desk every day.

"Who does he really listen to?" is a frequent subject of Washington conversation.

This article is no attempt to supply a definitive answer, because the catalogue changes constantly and, in any case, it would be too long for easy reading.

The Kennedy insiders fall generally into three groups, the three P's of the New Frontier—political (or professional), professorial and personal.

It is impossible to say which group packs the greater punch. This depends on the time and the issue.

PHOTOS: WIDE WORLD



Brother Robert and Vice President Lyndon Johnson have great influence on the President in their fields

For quick and frequent access to the President, and a high order of respect by him for their opinions, no one in Washington surpasses his brother, Attorney General Robert F. Kennedy; Ted Sorensen, special counsel to the President; Ken O'Donnell, special assistant in charge of appointments and schedule; Lawrence F. O'Brien, the chief White House liaison man with Congress, and McGeorge

---

Merriman Smith is the White House reporter for United Press International.

Bundy, President Kennedy's special assistant for national security matters.

These are the men in primary contact with the President all day, every day. Not only are they top policy men and advisers, but mechanics, utility infielders, general handymen—the morning-to-night hard core.

In this political-professional group must be included, but perhaps a shade removed from the major policy level, such prominent inner circle members as Press Secretary Pierre Salinger; Maj. Gen. Chester V. Clifton, known primarily as the President's military aide but who performs a number of relatively confidential functions not entirely in the military field; and Myer Feldman, deputy to Mr. Sorensen.

• • •

The influence of these men immediately around the President does not diminish the importance of his cabinet members, but theirs is a more formal relationship. They have clearly defined areas of authority and are in frequent touch with the President. By the nature of their responsibilities, it seems only natural that Mr. Kennedy would spend considerable time in consultation with Secretary of State Dean Rusk, Treasury Secretary Douglas Dillon and Defense Secretary Robert S. McNamara.

PHOTOS: WIDE WORLD, UPI



As friends, Navy Under Secretary Paul Fay (left) and White House aide David Powers see President often

It is said with some foundation that after the attorney general, Secretaries Rusk and McNamara are by far the more influential members of the cabinet.

Also in the political-professional grouping of those most listened to by the President would be the captains of his Democratic team in Congress. Vice President Lyndon B. Johnson would be in the forefront of the congressional section of close-to-Kennedy figures, but his opposite number in the House, Speaker John W. McCormack, has less standing at the White House.

Stalwart Democrat that he is, Speaker McCormack is not a New Frontier activist. Realizing the powerful seniority system in Congress for what it is, Mr. Kennedy naturally confers frequently with Speaker McCormack, but administration intimates say the President would listen more readily to Rep. Carl Albert of Oklahoma, the House Democratic leader, or Rep. Hale Boggs of Louisiana, the House whip.

On the Senate side, Mr. Kennedy is in frequent communication with Democratic leader Mike Mansfield of Montana, from whose office Larry O'Brien operates on numerous occasions. Sen. Hubert Humphrey of Minnesota is an ardent administration supporter and undoubtedly has the President's ear. The White House has learned, however, that Senator Humphrey sometimes is so optimistic about administration legislation that he tends on occasion to overstate the situation.

One man around the Senate of potent influence with the lawmakers and the White House is Bobby G. Baker, secretary to the Democratic majority. When the President and his staff want a quick, dependable appraisal of legislative chances, they frequently seek out Mr. Baker.

The professorial group of insiders also varies in make-up from time to time, issue to issue. Arthur Schlesinger, Jr., headed the Harvard landing party when the Administration first docked at the White House. As a special assistant to the President, Mr. Schlesinger deals largely in ideas and effective means of presenting them. This involves a certain amount of writing.

Mr. Kennedy uses some of Mr. Schlesinger's ideas, some he discards. Mr. Schlesinger can get to the President, but this is no guarantee that the noted Harvard historian will make a sale. Another professor, Chairman Walter Heller of the Council of Economic Advisers, could be classed properly as having a fairly inside track to the President.

In economics, however, Mr. Kennedy's eclecticism frequently comes into play and he samples ideas from a number of sources, including veteran congressmen and senators, members of the Federal Reserve Board of Governors and economists outside the government.

• • •

The list of personal friends to whom the President listens is long and variable. David Powers, the amiable Massachusetts Irishman who presides at the reception desk of the White House office wing, is much more than a receptionist. He's a frequent personal companion and probably knows more about Mr. Kennedy's personal life than anybody else outside the family.

Charles Spalding, a New York investment man, can and does have the President's attention on frequent weekend trips together. A government official, but primarily an old friend who is around the White House often after working hours, is Paul Fay, undersecretary of the navy.

Admittedly brief, this tabloid catalog has another disadvantage. To be complete and entirely accurate, it would have to be compiled daily.



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Supreme Court misinterprets the role of government

BY FELIX MORLEY

THE INAUGURATION of a President and the beginning of a new session of Congress are always occasions for considering the policies that may be expected from Executive and Legislature. It is far less customary to pass comment when the Supreme Court reconvenes.

Partly that is because the personnel of the Court does not change in response to the will of the people, as expressed in regularly scheduled elections. Partly it may be because judicial decisions do not seem, at first glance, as politically significant as those that are made by the White House or Congress.

Of late, however, the power of the Supreme Court, heading the third branch of our carefully articulated government, has been impressed on almost everybody. To reflect on the way that power is being exercised is therefore as much a civic responsibility as is examination of executive and legislative tendencies.

• • •

A Washington correspondent, who specializes on the judicial arm, has strongly emphasized the "dramatic change in Supreme Court doctrine." Its present concern, he asserts, is not with property rights but rather with "human liberty." The Court, he concludes: "Slowly but perceptibly . . . is taking up the role of conscience to the country."

If this is true, and much evidence could be cited in confirmation, this does indeed signify a basic alteration in the American way of life. For, in regard to conscience, the tradition has been that every man is the keeper of his own.

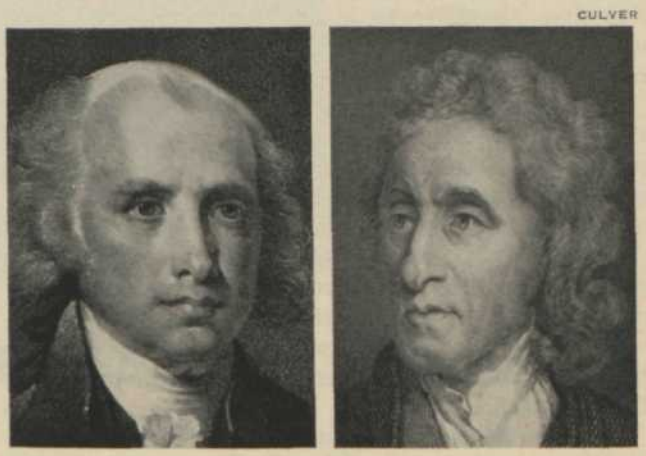
As the Declaration of Independence puts it, all men "are endowed by their Creator with certain unalienable Rights," specifically, "Life, Liberty and the pursuit of Happiness." The role of government is to "secure" these rights—not to provide them. Between the two functions the Founding Fathers saw a world of difference.

Men are self-governing, they reasoned, to the extent that they are free to obey the promptings of individual conscience. Men lose liberty when conscience is collectivized in the hands of any centralized authority, whether this be a royal, an ecclesiastical or a judicial court.

As Thomas Jefferson freely admitted, the argument of the Declaration of Independence was largely drawn from the writings of the English philosopher, John Locke, who was also a very practical statesman.

While serving as Colonial Secretary, during the reign of Charles II, Locke drafted the first Constitution for the Carolinas, under which freedom of worship was guaranteed to all who would publicly acknowledge the overlordship of God.

CULVER



Property rights philosophy of President Madison and English Statesman John Locke may be in danger now

Locke's religious viewpoint was thus very much at variance with that of the present Supreme Court, which last June outlawed a brief voluntary prayer used in the New York schools and acknowledging "dependence upon" God.

Because this 22-word prayer was written by the state's school officials the Court defined it as an

"establishment of religion," unconstitutional under the First Amendment.

This is not the only instance in which the Court has recently taken strong exception to Locke's political philosophy, insofar as that influenced the formation of the American government. Current emphasis on human rights, as something apart from and possibly opposed to property rights, is in direct conflict with Locke's thesis. This was that the acquisition and retention of property is itself a fundamental human right, essential to civilization.

Property, according to Locke, is actually an extension of personality. In what now seems quaint, but is still wholly clear, language, he argues the point in the fifth chapter of his *Essay on Civil Government:*

". . . every man has a property in his own person. This nobody has any right to but himself. The labor of his body and the work of his hands, we may say, are properly his. Whatsoever, then, he removes out of the state that Nature hath provided and left it in, he hath mixed his labor with it, and joined to it something that is his own, and thereby makes it his property."

• • •

This argument was both approved and developed by James Madison, the principal architect of the Constitution, in No. 10 of *The Federalist,* probably the most quoted of all the political writings of our fourth President. He agreed with Locke that private ownership of property is a natural right, which must be safeguarded by government. But he reasoned further that "the diversity in the faculties of men, from which the rights of property originate, is . . . an insuperable obstacle to a uniformity of interests."

"The protection of these faculties," Madison continues, "is the first object of government. From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results."

He means, for instance, that the manufacturer will purchase and assemble tools too complicated and cumbersome for the individual worker to possess, while the latter will develop skills which he is free to sell to another employer, or to use in starting a business of his own.

The inevitable consequence, says Madison, is that society is divided "into different interests and parties . . . much more disposed to oppress each other than to cooperate for their common good. . . . Those who hold and those who are without property have ever formed distinct interests in society. Those who are creditors and those who are debtors fall under a like discrimination."

• • •

Since the protection of private property is essential for orderly living, and since that protection or the neglect of it will always seem unfair to some, Madison reasons that the only enduring political solution is a form of government that will safeguard minorities against the always potential tyranny of the majority. Precisely this restriction on democracy, he emphasizes, is the great advantage and glory of the American Constitution.

It would be a fatal error, he warns in conclusion, to suppose "that by reducing mankind to a perfect equality in their political rights, they would, at the same time, be perfectly equalized and assimilated in their possessions, their opinions and their passions."

As we have reason to realize every day now, another persuasive thinker—Karl Marx—took Locke's idea that property is an extension of personality and drew from it a political formula very different from that adopted in the United States.

All property, said Marx, rightfully belongs to the workers, since it is they who have given it value by their labor. Since the workers are in the great majority they should have absolute control, which can be and is called democratic by the Marxists. This democratic dictatorship of the proletariat differs from Locke by always differentiating so-called "human rights" from property rights.

Marx insisted that the latter must yield to the former, as our Supreme Court is now said to be inclined to maintain.

The bitter fallacy in Marxist political theory, of course, is that the dictatorship of the proletariat is actually exercised by a small minority of communist officials, who tolerate no opposition and by whom the allegedly emancipated toilers are as much enslaved as are the unquestionably expropriated bourgeoisie.

• • •

The historic role of the Supreme Court has been to keep the well-reasoned American theory of government in balance, making sure that the basic property rights of every citizen are protected; defending them, when necessary, against the unrestricted majority rule which, as the communist experiment horribly demonstrates, is so likely to degenerate into unbridled tyranny.

If it can fairly be said of the Court that it has come to regard property rights and human rights as antagonistic, and not as parts of a single whole, then it would follow that the essential balance in our federal system is being undermined. Then it would certainly be time to remember Madison's warning against the idle assumption that people can be equalized by a mere equalization of their political rights.

Nevertheless, that assumption, over the strong protest of Mr. Justice Frankfurter, was made in the Tennessee case as decided by the Court during its last term. This ruled that "equal protection of the laws" means arithmetical equalization of all votes. It has resulted in many still unresolved, and indeed wholly intractable, problems in the reapportioning of State legislatures.

More decisions of that dubious character, in the term now opening, could only serve to give substance to the very disagreeable charge that the Court, wittingly or unwittingly, is inclining towards the teaching of Karl Marx; away from those of James Madison.

business

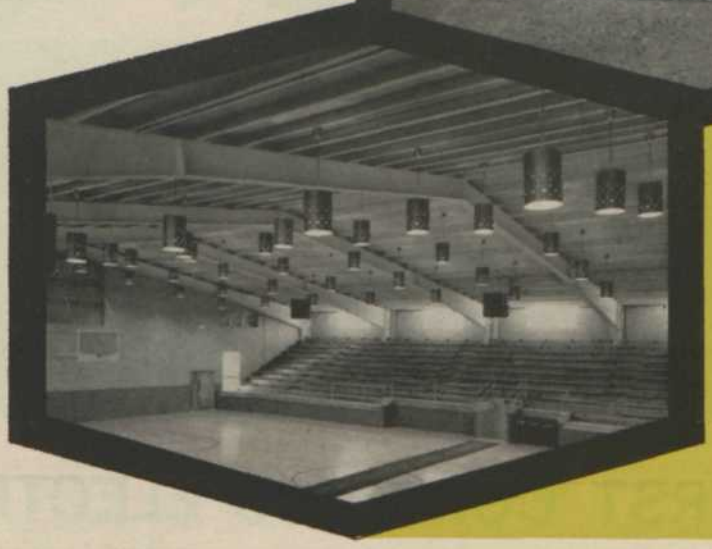


Payne Motors,
H. Paul Tuggle,
A I A, Architect

industry



community



Brinkley Gymnasium,
Edward F. Brueggeman,
A I A, Architect

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WHAT SPACE RACE WILL DO TO YOU

Entire American economic and political system could be harmed by commitment to crash effort

THE BATTLE FOR SUPREMACY in space confronts the nation with political and economic challenges as pressing as the technical task of reaching the moon.

At the time when survival depends on technological creativity, the United States is committing this scarce resource to goals not yet visible—and with little regard for the consequences.

The quasi-military urgency of the program was strikingly emphasized when the President declared: ". . . our leadership in science and industry, our hopes for peace and security, our obligations as a first-class country, all require us to make this effort, to solve these mysteries [of space], to solve them for the good of all men, and to become the world's leading space-faring nation."

To assess the broader consequences of this effort, NATION'S BUSINESS asked men in government—including the National Aeronautics and Space Administration—legislators, economists concerned with space, and research specialists to discuss the major problems and their potential solutions.

Two overriding considerations stand out:

1. The massive expansion of federal involvement in the economy, to an extent far beyond that indicated by the huge outlays involved—$2 billion a year for the moon program alone. By the very breadth of its program, government gains unprecedented possession and control of the vital tools for industrial progress.
2. The forced draft of comparatively scarce scientists and engineers to concentrate on research not directly related to the needs of the economy while foreign competitors concentrate on economic goals.

These problems will heighten future debate on government contracting and procurement policies, patents and industrial application of government-sponsored innovation, regional economic development, balanced allocation of resources—and their implications for a competitive and growing economy. In fact, the Telstar controversy may be just a sample of debates to come.

Richard E. Horner, senior vice president-technical with the Northrop Corp. and former asso-

WHAT SPACE RACE WILL DO TO YOU



"... very radical potentials ..."

Dr. William J. Harris, Jr., Battelle Memorial Institute



"... the problem of our time ..."

J. Herbert Hollomon, Assistant Secretary of Commerce



"... few fundamental questions have been raised"

Dr. Herbert E. Striner, Stanford Research Institute

ciate administrator of NASA, has told Congress that government carried early World War II contracting policies into the space age.

"The performance . . . is well known to all, but it does not appear to be so well understood that giant steps were taken toward socializing the [aerospace] industry.

"In short," he says, "we have abandoned, because of the emergency, many of the operating characteristics of our capitalistic free enterprise system. In the . . . 17 years since the termination of the war, these patterns of industry-government relationships have been sustained."

In a report to President Kennedy on government contracting for research and development, Budget Director David E. Bell commented:

"It is not too much to say that the major initiative and responsibility for promoting and financing research and development have in many important areas been shifted from private enterprise (including academic as well as business institutions) to the federal government."

"The present situation, therefore, is one in which a large group of economically significant and technologically advanced industries depend for their existence and growth not on the open competitive market of traditional economic theory, but on sales to the United States government. . . ."

"Finally, the developments of recent years have inevitably blurred the traditional dividing lines between the public and private sectors of our nation."

Nor have consciously developed government policies been the sole impetus for this fundamental change, Mr. Horner says.

"For example, it is not unusual for a government program manager to assert the need for detailed program control over industrial activity because a given company has little at risk on its government business other than government money, while in the same instance the industrialist will justify complete protection for his facilities and overhead, as well as direct expenditures, because of the danger of capricious redirection from government managers."

A further warning comes from Dr. William J. Harris, Jr., assistant to the vice president of the Battelle Memorial Institute, who headed a subcommittee that prepared an authoritative report on allocation of research and development resources for the Engineers Joint Council Research Committee.

The national security budget is designed, after all, to preserve our economic and political system from "foreign-induced" changes, he told NATION'S BUSINESS. "But, by the very act of protecting it, we're introducing some very real changes."

Dr. Harris sees "very radical potentials," for example, in the Bell report's recommendations that government limit the salaries of researchers in private industry.

What of the future?

The effects are best discerned by analyzing the President's decision to shoot for the moon in the context of the National Aeronautics and Space Act, which was passed in 1958 but whose full implications have only recently become clear.

One top NASA official interprets his agency's mandate under the space act as including promotion of "man's material, cultural and spiritual well being."

In interviews with NATION'S BUSINESS, John P. Hagen, associate

director for science and application in NASA, and Louis B. C. Fong, chief of the agency's new industrial applications office, declared that it is their hope and belief that the space program, embracing the entire range of technology and life sciences, will become the source of innovation that can be exploited industrially.

Federal expenditures for research and development this year are estimated at $12.4 billion, two thirds of the national total. A House committee report notes that basic research expenditures are rising from a little over $1 billion last year to $1.6 billion for this year, and adds:

"A major portion of the increase in 1963 is attributable to the National Aeronautics and Space Administration." Of the total obligational authority for federal space programs this year—$5.5 billion—NASA will get $3.7 billion, compared with $1.8 billion the previous year and $1.5 billion the Defense Department will get this year.

One of the most revealing statements indicating the blue sky ceiling on space spending comes from Ernest W. Brackett, procurement and supply director of NASA:

"Each year the dollar amount of NASA's contracts has approximately doubled. It is foreseeable that it may in time be contracting for more research and development than any [other] agency."

Such massive contracting holds the promise of high volume business for many thousands of companies, as subcontractors, if not as prime sources of space needs. But NASA's procurement, contracting and patent policies have drawn criticism from both industry and government. For example, NASA has been under pressure to cut costs, improve performance by contractors and reduce delays by greater use of competition.

Mr. Brackett heads a committee charged with trying to increase incentives, place performance evaluation on a systematic basis, and improve contractor selection procedures.

He points out that the goal is to select the best contractor for the job, ideally on a competitive basis, while still cutting down on the waste of duplicate efforts by scarce research talent in competing for bids.

Patent policy has been a problem in the space race because the law requires NASA to take all patents resulting from its contracts, unless the Administrator waives title in the public interest. The House Science and Astronautics Committee has recommended easing this policy, but Congress has not yet done so.

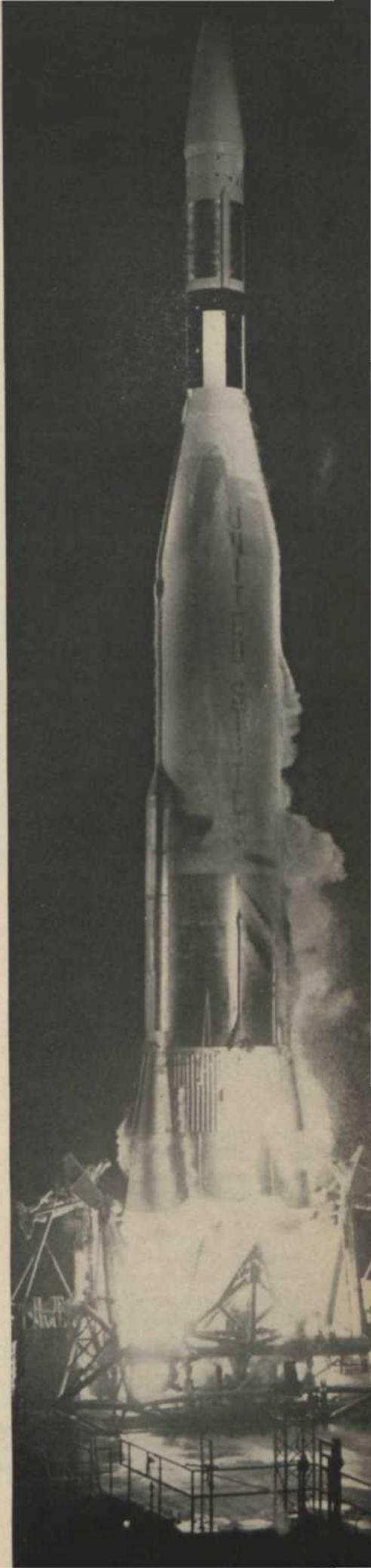
However, NASA legal experts report that more waivers are being granted.

Since NASA's establishment, they say, there have been some 500 invention disclosures. There recently had been 65 petitions from industry for patent title waivers involving about 100 of these. Of those, 24 requests covering some 50 inventions had beeen granted, two (involving rocket engine components) denied, a few others withdrawn and the remainder still pending.

Attorneys at NASA point out that the past eight to 10 months have seen half of the disclosures and half the waivers, mainly resulting from Project Mercury.

Regarding government-owned patents, they expect promulgation of a new policy by year's end, most likely with provisions for nonexclusive, royalty-free, revokable licenses. In case a licensed patent was not worked for two years, consideration would be given to licensing on an exclusive basis to a single firm.

(continued on page 92)



OUTGOING U.S. EDUCATION CHIEF WARNS:



"FEDERAL AID COULD BE DISASTROUS"

Sterling M. McMurrin, just resigned as Commissioner of Education, urges states to do more or face expanded role by Washington in local schools

"THERE ARE ALWAYS dangers in the federal government entering into an educational activity . . .

"It would be a disastrous thing to destroy the local control of schools . . ."

These statements were not made by an arch foe of federal aid to education, but by Dr. Sterling M. McMurrin, until a few weeks ago U. S. Commissioner of Education in an Administration that campaigns for greater federal spending in the field of public education.

Dr. McMurrin, who resigned his post in Washington to return to teaching, discussed his views on the issue of federal aid to education in an interview with NATION'S BUSINESS shortly before he left the government.

As his remarks show, Dr. McMurrin has reservations about the federal government playing an expanded role in public education, although he believes there are some areas—notably those involving national security—where federal action in justified.

Dr. McMurrin believes that much of the pressure for federal aid arises from abdication of responsibility at the state and local level. It is his opinion that the states in particular can and should do more to fulfill their educational requirements before turning to Washington for help.

Before being sworn in as U. S. Commissioner of Education on April 4, 1961, Dr. McMurrin was academic vice president of the University of Utah in Salt Lake City. He has returned to that University to become a professor of philosophy.

Dr. McMurrin, do you feel there is any danger that, if we rush into a general federal aid program, some of the basic freedoms of local school determination might be lost?

There are always dangers in the federal government entering into an educational activity. These are dangers against which we have to construct adequate safeguards.

It would be a disastrous thing, in my opinion, to destroy the local control of schools. It would be disastrous because this would undermine the pluralistic foundations of our intellectual culture. Anything that would produce a monolithic educational structure in this country would be destructive of the

(continued on page 96)

SCHOOL BOARDS INSIST:

NO NEED FOR AID

Education requirements being met at local and state level, survey shows

CONTROVERSY over federal subsidies to education will seethe again in this fall's election campaigns.

Some candidates stress what they call a crisis in the schools, which can be cured only with money from Washington. Others point out that federal control of our schools would necessarily accompany federal grants.

How do school board members—who must dig up the money for education at the local level—feel about the issue?

A survey of board members across the country by NATION'S BUSINESS reveals that the majority believe:

1. General federal aid is not needed.
2. It would mean more control over the school system.
3. It's not economic.
4. It would usurp local responsibility.
5. It would financially penalize states and areas doing a good job.
6. It's not wanted by most people, although it does appeal to those who think they can get something for nothing.
7. The best way to finance public education is by local and state means.

Final results of a National School Boards Association poll show that more than 56 per cent of board members responding oppose general federal aid. About 30 per cent are in favor. Undecided or not answering—13.5 per cent.

The notion that big city boards favor federal subsidies and small towners oppose it was demolished by the nationwide poll. Opposition was consistent, regardless of school district size, type of district, or relative wealth.

Board members were also asked to assume that present local and state sources of finance will continue to be available during the next five years. Given this condition, almost two thirds believe their district would be able to finance construction of needed new classrooms and replacement of obsolete facilities.

Almost two thirds of the board members also say they think they can handle expenditures for teachers' salaries.

More than 60 per cent say they could finance necessary changes in size of staff and improvement in curriculum to handle increased enrollments.

At the same time the majority approve of existing programs such as the National Defense Education Act, grants to areas crowded by federal installations, and support of the school lunch and vocational education programs.

An even more impressive result came in a poll of the New York State School Boards Association. The vote was five to one against general federal aid.

Hundreds of proposals for various types of federal aid are introduced in each session of Congress. Last year the Senate passed a bill providing $850 million a year for three years for public school construction and teachers' salaries. A similar bill was tabled in the House Rules Committee.

The President has reiterated his request for legislation similar to the Senate bill.

Here's how board members re-

(continued on page 109)

COMPETITION IS

Today's executives must use more

SINCE THE 1950's, tougher domestic and foreign competition has made it important that American businesses produce and sell with increasing vitality.

In this country there are 4.7 million businesses. Their average life span is seven years. Some 475,000 will turn belly-up this year and another 350,000 will change hands or become inactive. As the speaker at a recent business conference told his audience:

"Look to your left, and then to your right. Size up those two fellows. One of you, in all likelihood, won't be in business three years from now."

In the process of having freedom to fail, we also have the freedom to do better, and to be rewarded for excellence.

Simply reacting to competitive pressure by doing the same old things—only faster—has given way to more sophisticated strategies and tactics.

The top manager of today knows that simply pouring out additional energy isn't sufficient. This energy and brain power must be directed toward the most productive uses if he's to come out on top.

Basically, plans for meeting tougher business competition have four major aims:

- To know what kind of competition you're facing.
- To point your organization and plans to face it.
- To measure progress against plans accurately.
- To react to events promptly.

Type of competition

The first step is to size up properly the quality and type of your competition. This is a complex process of watching both those who produce the same items you do, and those who produce different but substitutable items.

Thus, manufacturers of cans have to watch, not only one another, but also glass makers, plastics manufacturers, and aluminum fabricators.

When the consumer has the option of buying a color TV or a stereo, or of joining a book club as alternative means of satisfying his recreational needs, then the companies which produce or offer any of these items must widen the scope of their attention to potential competition.

Cost and price competition. If several firms offer identical products, the major difference in their ability to hold a market often is in controlling and reducing costs, plus the ability to mass market and obtain the benefits of volume.

Internally this presses purchasing men, plant managers, industrial engineers, foremen, and office personnel into tighter cost control and waste-elimination practices.

Quality competition. Another type of competition is for excellence of product with an ability to perform in certain ways that other products can't. This quality may be due to the skill of the work force, excellence of equipment, meticulousness in design, or access to special materials.

The automobile industry, with its longer warranty on new cars, is typical. Quality of design and reliability in manufacture are im-

THESE FOUR STEPS WILL HELP YOU MAKE YOUR COMPANY MORE COMPETITIVE

Carefully size up the quality and kinds of competition you face—in price, product, or location

Shape your efforts to get the maximum advantage of your company's strongest points

CHANGING YOUR JOB

sophisticated strategies and tactics

portant strategic factors in the rivalry for markets. Styling, efficiency, and simplicity may be other special qualities which provide competitive advantage. Such competition imposes great pressures on an entire organization, including research and development, engineering, manufacturing supervision, sales and service.

Trade advantages. Local firms, which have inside information about local conditions or long-established business relationships and parochial loyalty comprise another kind of competition. The printing industry has many such companies, and the larger firms trying to gain new markets often find themselves beaten out by agile and accessible smaller firms on the scene.

Faced with such competition, the bigger fellows may settle upon trade advantages found in big orders and long runs, where bulk shipping costs and speed of production through high-investment equipment give them an edge.

Service industries are traditionally local businesses. Local contractors often can beat out larger national firms because they know local laws and can sway the contracting principal toward favorite sons. A contractor who is a great success in New York City might be a terrible failure at building grain elevators in Montana. The fellow from Montana might not last a month in New York. Each knows his special line, the labor and economic environment, can raise money from local bankers who know him, and avoid the big mistakes that would ruin an outsider.

Brain power competition. One of the most expensive and hardest forms of competition to overcome is that based on accumulated brain power—hired, trained and encouraged to create.

It's said that 11 years were required for Nylon to emerge from research in commercial form. In the computer-manufacturing business the return to the company comes only after protracted periods of investment in brain power. It takes real financial strength and a history of strong profits to tool up for this kind of competition.

Having identified which of these four types of competition are possible—or which combination of them—the company mapping strategy for new competition can avoid sapping its strength in fields where its comparative disadvantages outweigh advantages.

Pointing to win

Simply identifying the competition to engage in isn't the whole battle. It's also vital that the respective parts of an organization be shaped into a unified team to take advantage of the company's strengths. "If you get your shot scattered you never hit anything," observes General Ed Rawlings, president of General Mills, Inc.

Focusing energies onto a few tracks where the organization can run freely requires several kinds of managerial action:

Figure out what kind of business you're in. The emphasis upon some proven lines of competence is an

(continued on page 44)

Measure managers by their contribution to the company's progress toward its goal

Be alert to new developments and be prepared to change plans quickly if necessary



QUALITIES OF VICTORY · PART 10

Our heritage has given us the strengths to defy tyranny, conquer a continent, build a nation. In these qualities we find the power to win the cold war—or the hot. This is the tenth and last in a series of articles by nationally prominent men describing these qualities

PATRIOTISM

BY GEN. DAVID M. SHOUP

Commandant, U. S. Marine Corps

IT IS SAID that patriotism is the love of country. I think it is the love of the things about your country that you don't want to see lost, that you want to see perpetuated, and for which you're willing to sacrifice. Patriotism is something from our hearts, a faith, a dedication.

We are a fortunate people. Our national history rings with names of great patriots: George Washington, Nathan Hale, Thomas Jefferson, Alexander Hamilton, and a host of others; men whose character, ability and dedication have become symbols to freedom-loving people throughout the world.

They made possible the creation of this nation. They cast the mold. They forged the steel. They shaped the destiny. These men were motivated by one of the most noble and selfless of all emotions—love of country. They pledged their fortunes, their lives, and their honor to their country.

During the bitter times of the Revolutionary War, our forefathers faced one of the finest armies of the day. Their cause appeared hopeless. Outside help was limited and spasmodic. Women and children, the young, the old, all were within the enemy's reach. They well knew that defeat meant tragedy and disaster.

Thomas Paine described the atmosphere of the day when he wrote, "These are the times that try men's souls." The colonists did have an alternative: they could lay down their arms and live. Their eyes, however, were on the future. Their minds envisioned the kind of life their children would live if they gave up. Their hearts were determined on a life of dignity.

They weighed the odds and made their choice.

Other generations of Americans have made similar choices. The fate of our nation has often rested with these decisions, some painfully arrived at. The *(continued on page 49)*

General Shoup proved his patriotism in dramatic terms in 1943 on a tiny coral atoll in the Central Pacific. In one of the most savage short battles in U. S. history, then-Colonel Shoup was held "largely responsible" for the success in recapturing Tarawa. His courage in leading his troops against the fanatical and well fortified Japanese won him the nation's highest award, the Medal of Honor. Before his appointment as the top officer in the Marine Corps, General Shoup served in such varied duties as Fiscal Director and Inspector General of the Corps. He has been Commandant since 1959.

FRED J. MAROON

HOW TO TELL WHERE CANDIDATES STAND

This quiz will help you determine philosophy of office seekers

WHERE DO the candidates you plan to vote for in next month's elections stand on issues important to you as a businessman? Do they advocate government programs which could increase your tax bill? Restrict the freedom with which you operate your business? Stifle economic progress in your community?

If you don't know, or if you're not sure, there is still time to find out. On the opposite page is a check list prepared by NATION'S BUSINESS to help you gauge the thinking of candidates for national, state and local offices.

Political professionals agree that votes often are swayed heavily by personality considerations, but caution that appealing human traits are hardly credentials for holding public office if they aren't accompanied by sound thinking, experience and an understanding of what is truly best for a community, state or the nation.

Americans will cast their ballots in November for men and women to fill all 435 seats in the United States House of Representatives, and for 39, more than one third, of the seats in the Senate. They'll also elect governors in 35 states, more than 4,000 legislators in 45 states, and thousands of others to town, city, county and state offices.

Candidates elected will wield tremendous influence over your personal and business affairs, both directly and indirectly. All down the line—from Congress to City Hall—this influence will be important to you, to your neighbors, to your community.

Efforts to inform, and in some instances to influence, voters on the qualifications of individual candidates will reach a climactic peak this month. For example, COPE, the political action arm of the AFL-CIO, is distributing voting records of men and women contending for seats in Congress (with careful notations of which candidates the labor federation deems friendly to its own objectives). Voting guides also are being prepared and distributed by The League of Women Voters, by many newspapers and private businesses, and by chambers of commerce.

In Memphis, Tenn., for example, the chamber of commerce has issued a 20-page election guide in which candidates are asked to give their views on vital issues, many of them related to business.

Politicians, business and civic leaders who were interviewed last year listed the following personal qualities among many which voters should examine in any candidate (see "How to Pick Political Winners," NATION'S BUSINESS, August 1961): Ability, honesty, courage, leadership, effectiveness, knowledge of the community and its problems, motivations for seeking office, ability to work with people, and experience in civic affairs. To this list might be added the candidate's philosophy—a quality you can test by applying the check list on the opposite page.

ELECTION EVE CHECK LIST

The questions on this page can help you to form a judgment on the philosophy and qualifications of candidates running for election to national, state and local offices. The answers will give you a clue to a candidate's likely performance if elected.

FOR NATIONAL OFFICE

	YES	NO
1. Does the candidate advocate increased federal activity in areas traditionally the responsibility of local government?	●	●
2. Does the candidate express views which indicate that, if elected, he would tend to work largely for interests of one segment of society?	●	●
3. Has the candidate promised to support legislation which would entail unnecessary increased spending and thus increased taxation?	●	●
4. Has the candidate taken a clear-cut stand on national issues of major importance? For example, has he disclosed his views on tax reform or proposed increases in social security taxes to finance health services for the aged?	●	●
5. Has the candidate taken a consistent position, rather than adapting his program and pledges to fit the interests and demands of various audiences he addresses?	●	●
6. Does the candidate show a willingness to debate the issues rather than engaging primarily in discussing personalities?	●	●

FOR STATE OFFICE

	YES	NO
1. Has the candidate demonstrated that he has a real grasp of the problems facing your state? Is his platform addressed to specific issues?	○	○
2. Has the candidate emphasized the need for operating your state on a basis of fiscal soundness? If he has advocated expanded state activities has he also spelled out ways in which such programs can be financed?	○	○
3. Does the candidate lean heavily on the support of national political figures in his party, rather than standing on his own feet?	○	○
4. Has the candidate, in his campaign speeches, discussed definite means by which your state can be made more attractive to new industry?	○	○

FOR LOCAL OFFICE

	YES	NO
1. Has the candidate pledged himself to work for solution of local problems at the local level, rather than enlisting federal aid in dealing with local problems?	●	●
2. Does the candidate have a record of effective work in civic organizations? Has he been in positions where he dealt with problems important to your community?	●	●
3. Has the candidate made his position clear on such issues as federally subsidized housing? School aid? Federal expenditures for local mass transit systems?	●	●
4. Is the candidate supported or opposed by your local newspapers, radio or television stations? If opposed, has he answered the arguments to your satisfaction?	●	●

A LOOK AHEAD by the staff of the

Drive increases exports

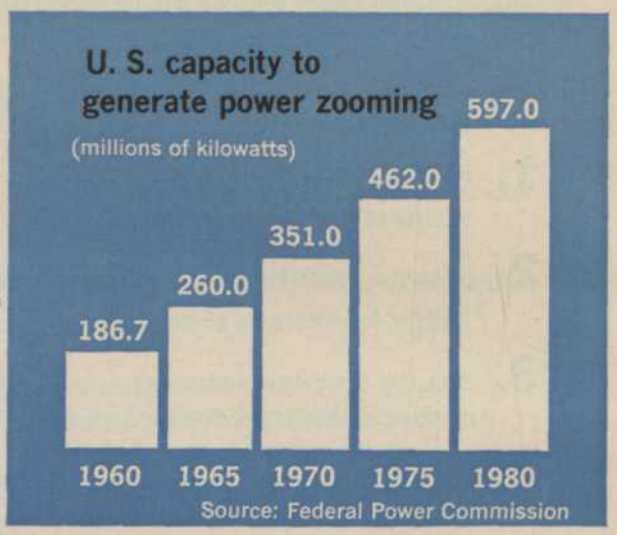
(Foreign commerce)

Budget report coming

(Government spending)

Consumer demand strong

(Marketing)



AGRICULTURE

There's a lot more business being generated in agriculture by virtue of the changing economy than is obvious from the normal statistical reports.

Recent estimates for 1962 compared to 1961 indicate little change in total farm output, production expenses and the resulting net farm income.

Quite a different picture is evident, however, in terms of adjustments by individual farmers. New investments per production unit have increased sharply in recent years.

The full impact of the volume of business adjustments and transactions involved is substantially greater than per farm averages suggest. For example, in 1950 only 28 per cent of all the milk produced in a major dairy area came from herds averaging 20 cows or more in size. By 1960, 68 per cent of the total output came from these larger herds. Similar adjustments are typical among the producers of other products, such as potatoes and broilers—particularly those commodities free from production controls.

CONSTRUCTION

Finding solutions to basic community development problems is increasingly becoming the responsibility of business leaders.

Evolving conditions are forcing broader business participation in the efforts to bring soundness to all kinds of community development.

Population is expected to double in the next 40 years. The consequences are obvious—almost double the present community plant will be needed. The problems: land use planning, financing community facilities and renewal.

Technological changes will force further changes in manufacturing, distribution and construction patterns—all affecting industrial and commercial location, housing and transportation of people and goods.

Business leaders utilizing the flexible machinery of voluntary community organizations for getting things done can use new techniques for adapting communities to the forces of growth and change.

A new National Chamber publication, "How to Create a Program of Work for Community Development," outlines the new and reliable procedures.

CREDIT & FINANCE

The familiar cry of "Wait 'til next year" could well be applied to banking legislation. Little in the way of major legislation made the complete trip through the Eighty-seventh Congress.

There are three major influences which may combine to bring about a "Financial Institutions Act of 1963": President Kennedy's three special administration committees on financial institutions, federal credit programs, and corporate pension funds; Comptroller of the Currency James J. Saxon's report and legislative recommendations resulting from his survey of national banks; and the report of the Commission on Money and Credit.

Their influence should be great, and will most certainly result in major financial legislation during the Eighty-eighth Congress.

FOREIGN TRADE

Having decided that the best and simplest method of dealing with the balance of payments deficit is to increase exports, the U. S. Department of Commerce has under way an aggressive program with this objective.

United States exports currently exceed imports by over $4 billion a year. The aim is to increase, by next year, the export surplus by another $2 billion a year, which means that the United States must export over $22 billion a year. The prospects for doing so seem fairly good inasmuch as 1962 exports are currently exceeding the 1961 level by nearly $1 billion.

The program to stimulate exports is being carried out in cooperation with the business community. Businessmen are increasingly utilizing and benefiting from the services of the Commerce Department's field offices. These services include assistance in making contacts with potential buyers, market research and distribution data, counsel on customs procedures, aid in the selection of sales agents and in arranging sales trips abroad.

Chamber of Commerce of the United States

The Department has also named a National Export Coordinator.

GOVERNMENT SPENDING

Late this month President Kennedy will receive Chamber of Commerce recommendations for improving the federal budget.

This subject has received increasing emphasis in recent months. Numerous criticisms are that the administrative budget now in use is inadequate. The President himself has said: "It omits our special trust funds; it neglects changes in assets or inventories. It cannot tell a loan from a straight expenditure—and worst of all it cannot distinguish between operating expenditures and long-term investments."

At the chief executive's request, National Chamber President Ladd Plumley named a special committe to look into problems of budget presentation. The Chamber committee is expected to submit views on the administrative budget and alternative forms such as the capital budget, consolidated cash budget, national income accounts budget and the full employment budget.

LABOR

New Labor Secretary W. Willard Wirtz will inevitably have to decide just how far government should continue injecting itself into management-labor disputes.

In 1962 budget hearings, Mr. Wirtz said:

"For every one labor dispute which has gotten into the Department this year, it is my impression that there have been 100 to 200 in which attempts have been made by one party or another to get the Department involved."

There is a budgetary and human limit to the volume the Department can handle, he acknowledged. Rep. Robert Michel, Republican of Illinois, asked how the Department intended to prevent further involvement and Mr. Wirtz replied: "I think we have now hardened our position to the point where it is possible for us to say 'no'."

Philosophically, the new Secretary favors predispute government participation. In a February speech he hailed "the value of consultation between government and labor and management—not to settle disputes, but to analyze problems and develop proposals which will prevent disputes from developing."

MARKETING

The rising postwar trend of consumer demand for nondurable goods and services is still strong and shows no sign of slowing down.

The Federal Reserve Board notes that the steady increase in consumer spending for soft goods and services has been a major influence limiting declines in the business cycle.

Continued growth in service and retail soft goods sectors of business is reflected, according to the FRB, by the substantial rate of expanding capital outlays for new office buildings, shopping centers, communications facilities, and other commercial and service facilities.

NATURAL RESOURCES

The electric industry continues to look toward steam generation as generally the most economical method of producing electric energy.

Today about 80 per cent of the nation's electricity is produced by steam-generating plants fueled by coal, oil, or natural gas. The other 20 per cent comes from hydroelectric power and nuclear and miscellaneous fuels.

In spite of the highly competitive situation existing in the fuel industry, coal accounted for 69 per cent of the total fuel consumed by the electric utilities during 1961.

Projections of present trends would indicate that steam generation of electric energy will continue, for the next decade at least, to provide the bulk of the nation's energy. Projections also indicate that coal, as a result of efficiencies in mining, transportation, and boiler utilization, will continue in the next five to 10 years to be the dominant fuel used by electric utilities.

In addition, the projected expansion of the electric utility facilities will mean an increase in the volume of demand for coal by the electrical industry.

TAXATION

Tax thoughts now turn to 1963. The Administration has promised full blown reform for next year. Exactly what will be proposed is anybody's guess. Certainly, reduced tax rates on corporate and individual income can be expected. However, some adjustments may be made to compensate for lost revenues. Hopefully, expenditures might also be cut to help pay the bill.

Judging from sentiments publicly expressed by administration advisers and members of Congress, the following items, in addition to rate reduction, might well be considered for different tax treatments:

1. Capital gains—perhaps a longer holding period or a sliding scale.
2. Charitable trusts and tax exempt foundations.
3. Deferred compensation contracts and stock option plans.
4. Deductibility of personal loan and mortgage interest payments.
5. Private philanthropy involving such things as valuable art objects.
6. Disposition of depreciable property.
7. Deductibility of state and local taxes.
8. Depletion allowances of the extractive industries.

TRANSPORTATION

When the Eighty-eighth Congress gets down to business in 1963, it will be facing a formidable backlog of weighty transportation issues.

The amount of legislation of direct concern to transportation enacted during the 1962 session is relatively small and unimpressive.

However, Congress made an important decision in voting to drop the excise tax on passenger fares. This action is a natural complement to the repeal of the three per cent tax on freight shipments ordered by Congress in 1958.

The amount of legislation enacted does not reflect accurately the array of serious problems confronting the transportation industry. Added to these unsolved problems will be any new, unforeseen crises which may arise.

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Some companies tend to put off important appraisal activity, simply because they "don't want to be bothered" with the disruption of routine and interruption of staff they imagine to be necessary to appraisal procedures.

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COMPETITION

continued from page 37

essential first step in the process of tightening up to compete better. The local firm with a strong position takes several hard looks at the dangers involved before going regional or national where its local trade advantages are missing.

The chemical company walks cautiously around the temptation to jump into the electronics field. On the other hand, it doesn't hesitate to move strongly if it sees something which will strengthen its present position.

Move toward growth fields. Stanford Research Institute studies of what makes companies grow show that it's easier to operate successfully in a field which is enlarging as a whole than in one that is shrinking. This means that the business which wants to remain competitive has to keep its antenna up to identify which major lines are growing and which are dying.

Such firms as Brunswick Corporation and AMF, which got into the bowling market early, grew because they saw a trend in its infancy. With an expanding population entering school, the publishing business became another growth field based on the same principle of watching areas with potential for new services or products. Changes in age composition, population shifts, changing consumer tastes and breakthroughs in technology are among the variables which must be considered in this orientation to fields which will grow.

What's your candidate's philosophy on issues important to you? You can get helpful clues from election eve check list on **page 41**

Hire good new men and move the best old ones to growth lines. College recruiting, getting experienced men from other companies, lateral transfers of experienced and able men toward the spots where their efforts will produce the best return should be part of your strategy.

In firms where marketing and advertising are the keys to competition, it's wise to recruit the best college men for marketing jobs. If it's research that's making the company move ahead fastest, then putting your best brains in the lab is a further example of a sound strategic step.

Many companies have discovered it's a sure trigger to high turnover to throw the best men against the frustrations of a certain loser in competition. Not only does the excitement of new fields help, but the sweet smell of success attracts the better men and makes the success-breeds-success pattern feed upon itself.

Give tough men tough goals. In a competitive business it's sound strategy to give tough-minded men the toughest problems. The able man will become abler, and the hard-driving man will become better skilled at overcoming obstacles if he finds himself pressed by the situation. This process can be described in this cycle:

Pick strong, resilient men to begin with and hand them some high but attainable goals to shoot at.

Get their commitment to the goal you'd like to see them achieve.

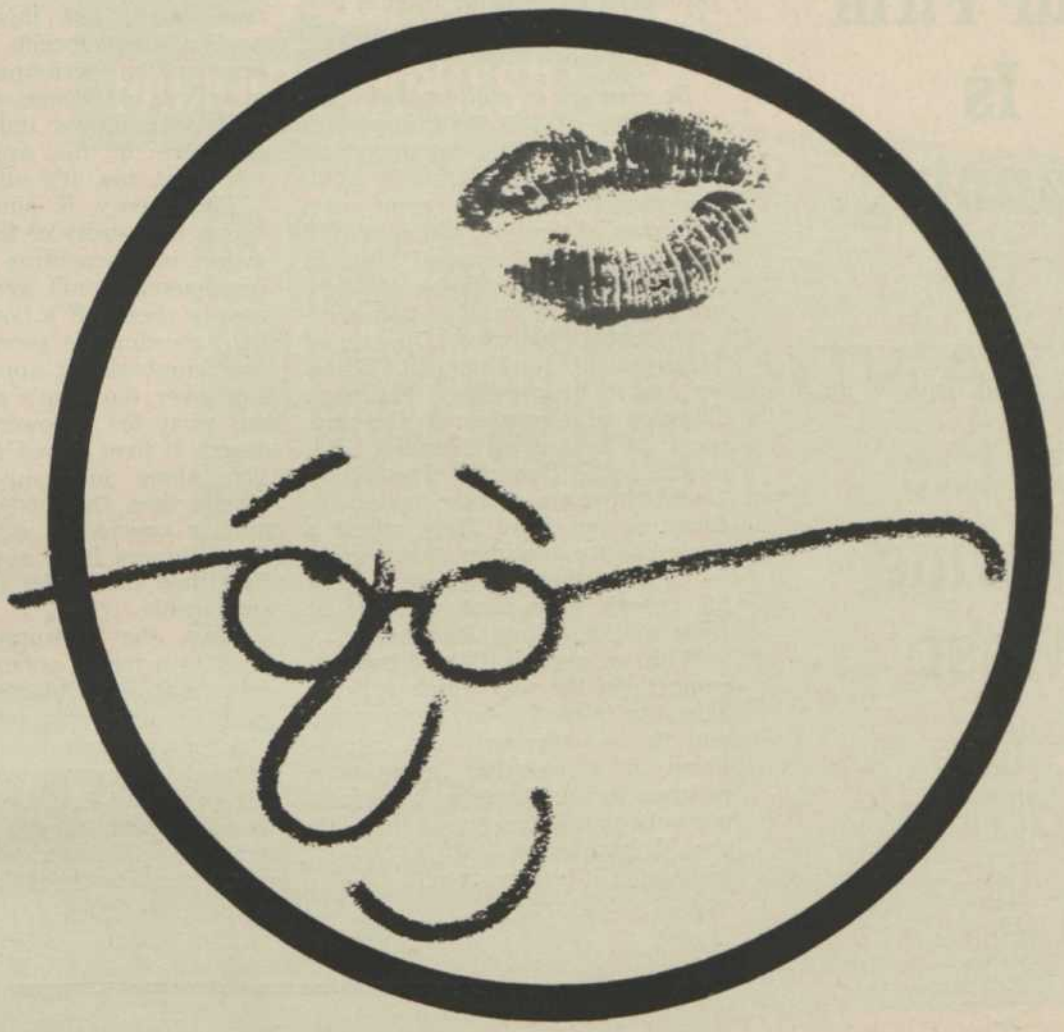
Watch each man's growth closely. If he seems to be stretching his capacity and can make goals easily which previously were difficult, then raise the level of what's to be sought a little. He'll possibly groan, but he'll also grow to fit the demands upon him. Before long he'll be doing things that he himself thought were impossible for him to do—and enjoying his new capacity to do them.

Don't make it easy for a man to fritter away his time once he's raised his capacity. Keep him taxed until you—and he—are convinced you've found his highest level of achievement.

John L. Handy, president of Handy Associates, consultants, puts it this way: "It is indeed difficult to judge growth potential but it can be done. No better test exists than to hand an executive business problems that are beyond his present level of responsibility."

Put a premium on new ideas, innovation and improvement in methods, products, processes, and projects. Simply administering or overseeing an operation doesn't help people fulfill their potential.

Instill a desire to excel in the whole organization, making the whole firm market, quality, and service-minded. This must include not only the sales force, but the clerks, machine operators, and staff



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San Diego County

COMPETITION

continued

people as well. The demand for excellence in every position is part of pointing an organization toward more effective competition.

Be creative in adding staff functions. One of the most important strategic tools in meeting new competition is the strategic addition of staff people. In recent years a number of new and different staff functions have cropped up in growth companies. Some of these are unheard of in traditional organizations. Examples: Director of Management Development, Director of Organization Planning, Director of Commercial Development, Director of Market Research, and Research Production Coordinator are strictly modern in function and title. They reflect a basic change that has taken place in organization theory in almost all growth firms, and are one of their distinguishing features.

With an organization aligned to compete in the way which will enable it to capitalize on its strengths, and the weaknesses in its competition, it is essential to measure progress against targets. Appraisals not only should measure a man but should be closely tied to his organization's performance.

One large auto firm is presently installing a new appraisal system which goes beyond anything done along this line in the past. Not only is the effort and energy of the man rated, but this is equated against some specific measures of organization performance. Having standards of managerial performance is pointless unless the performance of his organization is measured, too, it's suggested.

The theory is simple. It presumes that many of the traditional ways of measuring managerial competence aren't germane. They merely check off a boss's rating of his subordinate's personality. The new emphasis in appraisals is to look over the man's shoulder and see what his followers have produced. If they moved the organization along in competition with others, then the leadership of the unit is considered satisfactory. If the followers have not been effective, then the leader is considered responsible.

Thus, the measurement is applied to a man's organizational results and not to his personality as rated by some abstract scale.

Adequate assurances against extraneous influences such as windfall profits or bad luck must also be considered in such evaluations, but even with these taken into account it's results-against-responsi-

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COMPETITION

continued

bility-of-the-organization which are the major variables to be measured.

A manager's human relations skill, for example, is considered as one causal variable. If his results were bad because he couldn't apply the appropriate social sense to his task, then he's rated low. This low rating isn't based upon poor human relations alone, but upon the bad effects it had upon results. This factor often takes more time to work out than a single accounting period. Some observers have proposed ten years as the period for the full working out of the values of an integrated system of sound human relations.

Even with such a long-term prospect of payback, there's some sense, many say, in preventing the short-term opportunist from wringing too much from an organization for a short period at the expense of future productivity and growth.

Thus, while measurements are for results, they need to be more than simple cost-accounting measurements. Rather, they consist of economic measurement over the growth cycle of a firm. Such measurements would include evidence of attracting and keeping high-potential young men, and averting loss of experienced men with ideas and energy.

Prompt reaction to events

A distinct characteristic of the new strategy for meeting competition is the development of people and procedures for reacting quickly and intelligently to earlier results. This means that market advantages are exploited quickly as they occur, and that special evidence of talent or leadership is sought out as it appears in the day-to-day rush to get the job done.

In one company a list of the young executives with great potential is compiled annually and special developmental assignments and tougher jobs await those who get aboard this roster. Such a list, however, isn't a Crown Prince Book to which a man is assigned permanently, nor from which he is forever barred. It is grounded upon continued performance, and those who rest too easily may find themselves unseated while the late-bloomer and greatest improver of his own performance can readily be added.

This tactic of reaction to new events means that new and different conditions will elicit suitable responses to take advantage of them, or to avert the setbacks which could result from unbending compliance with a plan.

Management policy, suggests Sun Chemical Company executive William Machaver, should be considered as having a life of five years or less, subject at that time either to renewal or revision as the new climate may indicate.

The gestation period and life span of a procedure may be considered somewhat shorter than five years. Specific programs should be prepared for a year in advance, with subordinate sections of the program set for time periods measured in months.

What accounts for this constant turmoil in changing short-run objectives? Primarily it is the results of previous programs themselves which dictate the actions of the next phase. For the most part the continuity over time will be constant, with change growing out of new competitive attacks, and the actions of competitors. Long-range plans are most valuable when they are revised and adjusted and set anew at shorter periods. The five-year plan is reconstructed each year in turn for the following five years. The basis for this change? Measurement of results of the first year's experience is the soundest basis. This requires good measurement of the results against the targets.

As business competition increases, interest in strategies of competition—including new mathematical methods such as game theory, plus the accumulated know-how of practical campaigners—may be expected to make the competition in business more sophisticated than in past years. Staff experts who specialize in competitive strategy will increase in importance. Such functions as commercial development departments, organization planning departments, and market research groups are perhaps a precursor of greater attention to strategies which will guide firms to meet the tougher new competition which awaits them in the next two decades.

—GEORGE S. ODIORNE

REPRINTS *of "Competition is Changing Your Job" may be obtained for 20 cents a copy or $12 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance.*

PATRIOTISM

continued from page 39

decision whether to take up arms or to suffer outrageous fortune has sometimes been thrust on us; at other times the determination has been ours to make. The position of leadership which our nation now enjoys bears testimony to the wisdom and courage which have attended these choices in our historical pageant. Episodes of courage, of conspicuous patriotism, of dedication to principle are like a golden thread woven through the fabric of our national history.

It was perhaps inevitable that a nation so richly endowed would attract the bold. A land of incalculable resources, of invigorating climate, of broad expanse—America is noble soil for a brave people.

Americans are a people who, more than 150 years ago, reached out in indignation to quell the pirates of the Barbary Coast. They are a people whose land once raged in a long and terrible internecine struggle from which emerged a stronger republic. They are a people who have freed less fortunate nations from foreign domination and have won victory without territorial aggrandizement. They are a people who, in righteous anger, arose to fight foreign enemies across the world.

In all these struggles most of our citizens sacrificed comfort and advantage, safety and personal gain, to serve their nation.

In these episodes from the past the heroes are legion. Many names stand out, but heroes are not limited to those mentioned in the pages of history books. Often the true patriot is unsung, unremembered, and unknown.

The heroes include all those who rise to the call of duty. They include those who reject comfort, who embrace danger, who give selflessly of their time and talents. They include men and women who love their country and are willing to do what needs to be done in their country's behalf. These are the marks of true patriotism.

Who are the heroes of today? Who are the patriots in the struggle in which we are now engaged?

Are they the astronauts who brave the unknown dangers of outer space? Who place their lives in jeopardy each time a mighty rocket tears them away from the earth?

Are they the scientists who labor in mankind's behalf? Who make possible space probes, lunar reconnaissance, Telstar, and other fantastic space achievements?

Are they the teachers who dedicate themselves to improving the minds of their students? Who, with minimal pay and untoward responsibility, carry out their important tasks in schools across the length and breadth of this land?

Are they the students who strive to do their best? Who earnestly seek knowledge and who strongly desire to become mature and effective citizens?

Are they the ones in uniform who sacrifice personal comfort to man a post in Korea? Or in frozen Alaska? Or strife-torn Viet Nam? Or in a strategic bomber? Or stand a lonely midwatch?

They are all of these.

But of America's 180 millions, there is another category of patriot. Of this category much is required. These are people who above all others must be patriotic if America is to survive. They must love their country with a deep and undying emotion. They must not only be willing to devote their energies to their country—they must actively do so.

This category receives no plaudits for its service. Its members receive no scroll to acknowledge their contributions. No medals or decorations are awarded for excellence, to be worn proudly and openly. There is no acclaim for actions above and beyond the call of duty. This category embodies all citizens; this category is the average citizen.

Unless Americans from every town and hamlet, from every race and creed, from every political persuasion and ethnic group truly, honestly, and unashamedly love their country, then we are in trouble. For the struggle we are now waging requires the utmost in patriotism from all of America's citizens.

The war we fight is not a war of bullets and of mounting casualty lists, although even today some Americans appear on such lists.

It is not essentially a war of bloody beaches and costly won hedgerows, although the jungles of Southeast Asia have seen their share of blood.

This is not a war in which the battlefields are clearly and easily identified. There are no convenient Round Tops like those at Gettysburg to delineate the field. There are no charted islands to confine the battle. There are no coastlines like those of the Korean peninsula to limit the struggle. But all the

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PATRIOTISM

continued

same the issue is clear. The issue is life or death for our way of life.

We received from our forebears the most visionary document and most inspiring idea known in political history. The Constitution of this great nation has guided all generations of Americans and has served as a model for other free people in the new world and in the old. Thus far Americans have, in the main, proved themselves worthy of their great heritage.

As in the past, each generation must also prove itself worthy of that heritage. Our citizens must stand ready to fight, and, if need be, to die for our country. They must also be able to live for it.

There are only a few who have the opportunity, resourcefulness or courage to win national acclaim by some daring or imaginative act. How then does an American live for his country?

One can begin by loving it—the very essence of patriotism. One can dedicate himself to the service of his country in whatever profession he may serve. One can devote the best years of his life in his country's interests by being a good citizen. One can participate in community affairs and discharge his community responsibilities willingly and cheerfully.

One can heed the words of Albert Schweitzer: "I don't know what your destiny will be, but one thing I know: The only ones among you who will be really happy, are those who have sought and found how to serve."

The individual may think his voice is lost in the crowd. Yet the voices of millions of Americans speaking in harmony are a resounding, ear-splitting, deafening roar.

Listen! What does that collective voice say? Be alert, America! Know the glories of your history, but don't rest on your laurels. Revere the heroic past, but win the future. Thrill to the exploits of national heroes, but contribute your own skill and efforts to your country. **END**

REPRINTS *of "Qualities of Victory, Part 10: Patriotism" may be obtained for 15 cents a copy or $9.00 per 100 postpaid. Reprints of the entire series may be obtained for $1.25 a set. Order from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance with order.*

PERSONAL OUTLOOK

Your fair share

Here's expert advice for your United Fund-Community Chest role as 2,200 campaigns go into high gear this month.

M. G. O'Neil, chairman of the National Corporations Participation Committee and president of General Tire and Rubber Company, offers these suggestions:

Accept a position only if you're willing to devote time. It takes as much thought to raise $1 million as to do $1 million of business.

Solicitation of top executives only by top executives. Not fair for subordinates to ask.

Fair share donation for executives is one to three per cent of salary before taxes.

Gifts may be deducted up to 20 per cent of your adjusted gross income. Actual cost of a contribution is the amount you give, less the tax saving resulting from the gift.

Political aid

There's an easy way to be a pundit when election day comes.

A unique, new handbook of election facts offers an opportunity to spot election trends, make calculated predictions.

"America Votes," published by the nonprofit and nonpartisan Governmental Affairs Institute, includes county and ward breakdowns of the most recent voting for President, governor, senator. Also post-World War II voting for Congress.

Special situations on U. S. political life offer diverting sidelights. Do you recall that in the 1958 New Jersey senatorial race 6,013 persons voted for the Politicians Are Jokers party?

"America Votes" was privately compiled and edited by Richard M. Scammon, director of the Census Bureau. Copies may be obtained from the University of Pittsburgh Press. Price $2.50.

See the world at home

If you can't take a winter holiday, you can travel vicariously to many foreign lands at little or no cost.

Travel associations of leading tourist nations maintain libraries of 16mm color and black and white travelogue films.

They're available to executives for personal, organizational, business use. Executives have borrowed them advantageously for showings to employes being transferred overseas.

Among government offices in New York that lend films are: Britain, Germany, Italy, France, Japan, Switzerland, Scandinavia.

Average film length is about 15 minutes. Quality is first class and the subjects are enormously varied.

They range from boating along the fjords of Norway; to wine, women, song in Paris; skiing in the Brenner Pass; Japanese gardens; romantic castles in Württemberg.

Many films are narrated by famous personalities. British films include the voices of Danny Kaye, Rex Harrison, Sir Michael Redgrave.

New highway opens up tourist opportunities

The just-opened $1 billion Trans-Canada highway is a boon to tourists.

In addition to many well known national and provincial parks traversed by the coast-to-coast

road, an entirely new system of parks for motorists and campers is being developed.

Day parks, every 50 miles, serve as picnic and rest stops. Overnight parks, 150 miles apart and up to 50 acres in size, are ready if you want to try camping.

There's no toll on the 5,000-mile highway from Newfoundland to Vancouver.

One-way trip from ocean-to-ocean can be made comfortably in 10 days, according to the Canadian Good Roads Association. Highway and facilities information is available from the Canadian Government Travel Bureau, Ottawa.

Wanted: Top executives

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Information is available from trade mission director Roy F. Gootenberg.

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If you're invited or go as a tourist, here's advice from the Information Center for American Travelers to the Soviet Union:

Money: You can't take out more than you entered with. Be sure to keep every exchange slip. Avoid leftover rubles—Soviets take three months to mail, with a 25 per cent cut.

Interviews: If you disagree with a part of U. S. policy, it will be played big by press. You can avoid propaganda trap by praising pre-revolutionary buildings and museums. They'll soon figure there's no mileage in your interview.

Seeing things: Intourist, the official travel organization, tries to monopolize your visits. You can look on your own in 75 cities.

Soviets respect influence, expect you to use it. Letters from prominent U. S. organizations and officials will bypass lots of red tape.

Eating: It takes two or three hours in a restaurant unless you order ahead of time.

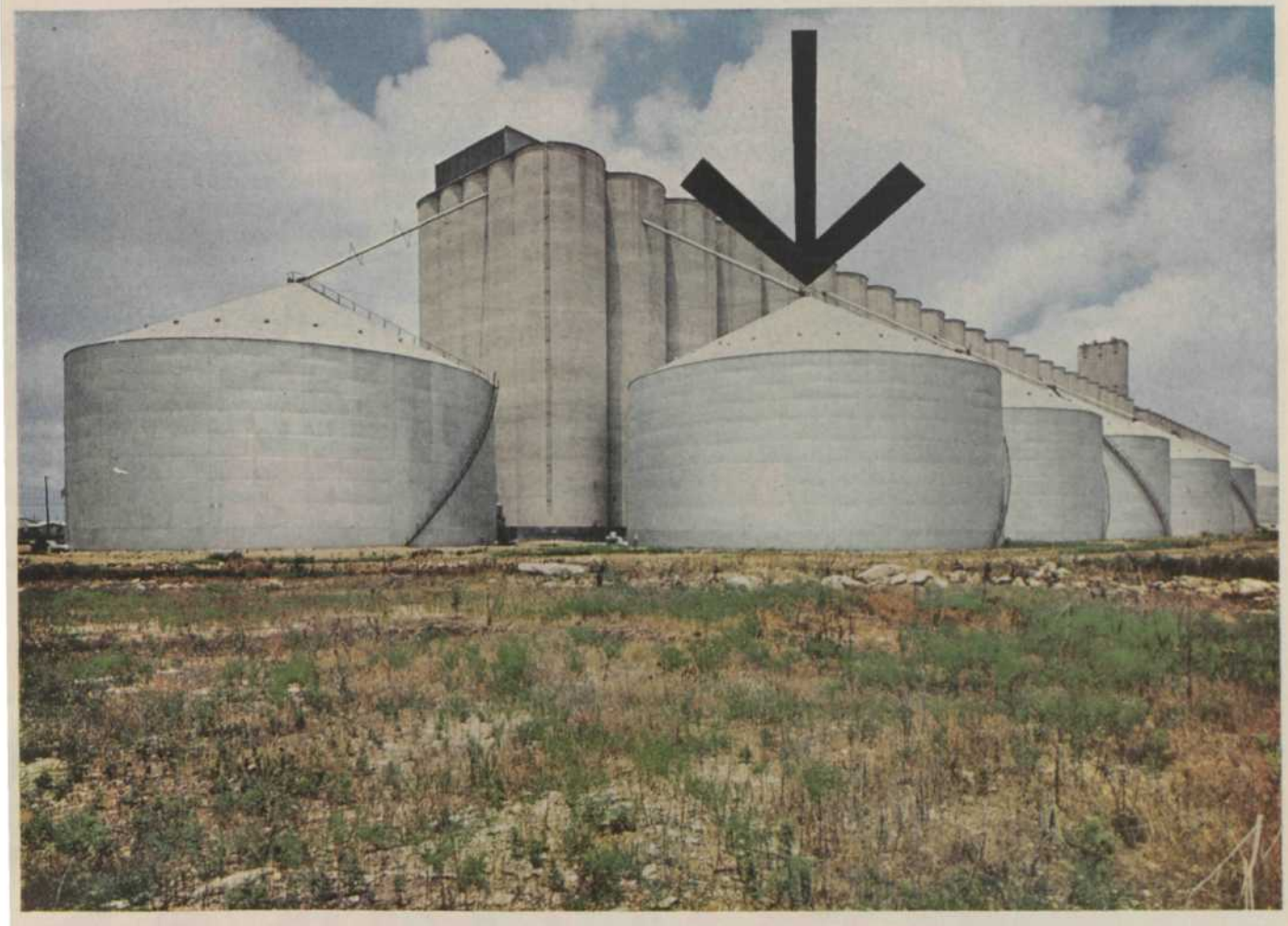
Tipping: Usually five to eight per cent. Never to a $35-a-day Intourist guide; nylons or book are okay for her.

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Photography: None permitted from planes, high buildings, hills, trains. None of train stations, most factories, uniformed men, bridges, military installations, women sweeping streets, slums, long queues for meat.

General: If you follow the photographic regulations and don't distribute literature lavishly, chances are you'll have no trouble unless the Soviets deliberately manufacture an incident.

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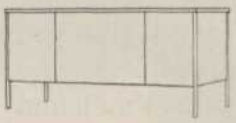
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COMMUNISM: WHAT LIES AHEAD

Five authorities analyze Soviet prospects

WHERE DOES COMMUNISM go from here?

Can the Free World expect new war-risking adventures by the Soviet Union?

Will Russia intensify her efforts to win the underdeveloped countries?

Will there be more Soviet feats in space? More missile-rattling by Nikita Khrushchev?

These are some of the questions which Nation's Business submitted to a panel of authorities on important aspects of the Soviet drive for world domination.

Heading the list of experts is Walt Whitman Rostow, key adviser to President Kennedy and counselor and chairman of the Policy Planning Council of the U. S. State De-



Dr. Rostow

partment. Dr. Rostow, 46-year-old former professor of economic history at the Massachusetts Institute of Technology, is the author of "The Dynamics of Soviet Society," "The Prospects for Communist China," and other books.

Dr. Rostow's assessment of Soviet performance to date, and the outlook for communism as a power system, begins on the next page.

Other authorities participating in this special report are Dr. Sidney Hook, a long-time analyst of Soviet strategy and Marxism and professor of philosophy at New York University; Dr. John Turkevich, former U. S. science attaché in Moscow and now professor of chemistry at Princeton University; Dr. Charles Burton Marshall, of the School of Advanced International Studies, John Hopkins University, Washington, and Leon M. Herman, a senior specialist in Soviet affairs for the Library of Congress.



Dr. Hook



Dr. Turkevich



Dr. Marshall



Mr. Herman

Each of the participating experts, with the exception of Dr. Rostow, has chosen a specific aspect of the communist system in which to make evaluations and projections. Dr. Hook discusses the ideological thrust of communism; Dr. Marshall, the communists' use of unconventional warfare; Dr. Turkevich, the outlook for Soviet performance in science and technology, and Mr. Herman, internal Soviet economics and likely future Soviet moves in the arena of international economic warfare.

Nation's Business presents this special report one month ahead of the Soviets' celebration of the forty-fifth anniversary of the communist takeover in Russia.

COMMUNISM: WHAT LIES AHEAD • 1 • By W. W. ROSTOW



RECENT DEVELOPMENTS symbolize much in the evolution of communism over the past 45 years: On one hand the world has witnessed the successful performance of Russia's cosmonauts; on the other, the gunning down at the Berlin wall of East Germans seeking freedom from tyranny.

The feats of the cosmonauts underline the capacity of the Soviet Union to mobilize talent and resources effectively in the pursuit of a selected, high-priority objective related to Soviet power ambitions.

The killing of refugees dramatizes the failure of communism to organize societies capable of attracting the loyalty of the majority of the people and capable of open competition with the free world.

The strength of communism as a method for seizing, holding, and expanding power and its failure as a method for organizing contemporary societies goes back to its origins. The Bolshevik *coup d'etat* in November 1917 was the seizure of power by a purposeful minority amid the revolutionary confusions of a nation which had been defeated in a major war.

Long before 1917 Lenin realized that communism could not attract the loyalty of a majority of Russia's citizens—not even the working people; and he decided that he would substitute for majority support a disciplined minority aiming to seize what he called "the commanding heights of power."

After 1917 Lenin's methods for seizing power in Russia were translated into a long-term method for maintaining power through the control of Russia by a single minority party backed by secret police.

Remembering well the war and postwar origins of their own power in Russia, the communists made the most of World War II and its aftermath. Stalin pressed his empire westward, to the full reach of the Red army, consolidating the satellite empire in Eastern Europe; and, in China, Mao successfully exploited World War II and its debilitating effects on the Kuomintang to take over the Chinese mainland in 1949.

Two drives, three weaknesses

Since 1945 we have seen two major communist offensives designed to extend the power and influence of communism beyond the limits which were achieved as a result of World War II.

Between 1945 and 1951 Stalin pressed hard, first in the west and then to the east. He tried to penetrate Iran, Turkey, Greece, France, and Italy; and in 1948 he blockaded Berlin. Stalin's western offensive came to a halt with the Truman Doctrine, the Marshall Plan, the founding of NATO, and the success of the Berlin airlift.

His Asian offensive, which involved the widespread use of guerrilla warfare in Indochina, Malaya, Indonesia, and the Philippines—as well as the attempt to conquer South Korea—ground to a halt in the spring of 1951 when the reorganized forces of the United Nations in Korea battered the Chinese communist armies at the Thirty-eighth Parallel.

The second great communist postwar offensive did not get fully under way until 1957 with the launching of the first sputnik. Against the background of this technical achievement and the missile capability it represented, Khrushchev started a campaign of missile blackmail, initiated the Berlin crisis, and pressed hard in the underdeveloped countries of Southeast Asia, the Middle East, Africa, and Latin America.

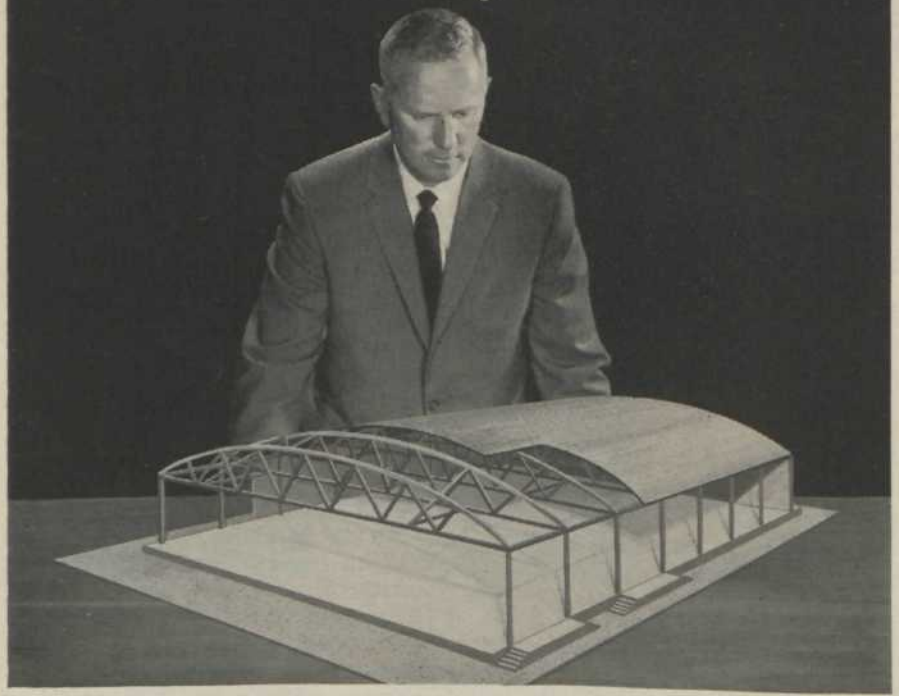
In these areas the communists sought to orchestrate the instruments of subversion, trade, and aid; they appealed to anticolonial and nationalist sentiments; and they sought to project an image of communism as the most efficient method for modernizing an underdeveloped region.

Khrushchev's postsputnik offensive has not yet ended, and its thrust is still dangerous; but its momentum has been slowed or halted in Laos, Viet Nam, and the Congo. In Cuba, Castro, caught in an economic crisis, is losing his appeal at home and his influence in Latin America. In Berlin, Khrushchev has been confronted by the Western commitment to maintain its vital interests and back those interests with full military power.

Meanwhile, within the communist bloc three deep and corrosive weaknesses have been at work.

First, communist methods of control have proved incompatible with efficiency in agriculture. In China this weakness has produced a general economic and political crisis which is demonstrating to the world that communism is not only an inhumane but a grossly inefficient—perhaps, even, an impossible—way to develop an underdeveloped country; in Eastern Europe it is sapping the vitality of the satellite empire,

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COMMUNISM

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except in Poland where collectivization has, in effect, been abandoned; and in Russia it causes a major waste of human and material resources and an inability of the Soviet Union to provide its people with the kind of diet their level of income would otherwise make possible.

Second, communism has failed to destroy the commitment of men to their nation, their national culture, and their national ambitions. Nowhere within the communist bloc can communism claim to be a system capable of standing up under the test of a free election or of open contacts with the rest of the world. Behind the conflict between the Soviet Union and communist China is the steadily rising tide of nationalism within the bloc—a conflict which bedevils every communist party in the world.

Third, within the Soviet Union and the communist bloc as a whole the concepts of human liberty and of the dignity and integrity of the individual have not died. These abiding impulses are finding ways not merely to survive but quietly and persistently to assert themselves.

Outlook

What, then, does the communist balance sheet for these 45 years look like?

As a technique for seizing, generating, and holding power, communism has proved a formidable force, capable of casting a threatening shadow over the face of the globe.

Within Russia, where communism is, to a degree, harnessed to national sentiments, it has produced some striking results. Russia was developing fast before 1914 and would, in any case, have become a major world power in the Twentieth Century. Indeed, the industrialization of Russia in the 30 years before 1914 laid the indispensable foundation on which the communists could build.

Under communist auspices Russia has developed as a more formidable military force than it otherwise would probably have been; but it has done so at enormous human cost and it provides to its people a much lower standard of life than Russia's historical stage of development would permit.

Moreover, the techniques of communist organization in Russia have yielded no result that cannot be



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better achieved under freedom. The appeal of the Soviet model to the nations of the free world is weak and waning.

Outside the Soviet Union, the communist empire is a tragic mess. The power projected from East Germany, from Hanoi, from Peiping, from Havana, is dangerous; and to counter it requires a great and sustained effort by free peoples. But there is little attractive force in the example of communism in Eastern Europe or at other points where power has been gained.

History has demonstrated that communism is a disease which a disciplined minority can impose on a weak, distracted society. It has demonstrated in Russia that, given certain important advantages, it is capable, at great human cost and with gross inefficiency, of building and maintaining the foundations for world power status for Russia as a nation.

But, as a theory of history, as a model for the organization of either advanced or underdeveloped societies, or as a technique for building a stable empire, communism has proved thoroughly unimpressive.

To the young throughout the free world—and within the communist bloc—it is increasingly judged a reactionary and outdated system of thought and action.

There is nothing in the story of these 45 years to lead us to abandon our faith that communism is not the wave of the future. With some success communism has scavenged off the weakness and disunity of free men. But the free world—rooted in values and traditions that reach back through the centuries—commands the resources to defeat communism's pretensions to world dominance.

Our task is to mobilize and unify the material, human, and spiritual assets of the community of free nations and to protect its members from external and internal aggression. A cool and objective appraisal of the record should permit us to move ahead in good heart.

COMMUNISM: WHAT LIES AHEAD • 2 • By SIDNEY HOOK



THE FORTY-FIFTH anniversary of the Soviet takeover in Russia will be celebrated with satisfaction and a feeling of justified optimism by the Kremlin. Soviet power and prestige are at their peak.

The deficiencies in Russia's economy are far less impressive in the eyes of the world than are its technical achievements and military power.

It wrings a full measure of political influence from its strength. It profoundly affects world public opinion without permitting itself to be affected by it. It has survived the era of bloody purges and a concentration-camp economy, the Hitler-Stalin pact, the massacre of Hungarian freedom fighters, widespread satellite restlessness, violation of its pledge not to resume nuclear-bomb testing, and scores of other abominations.

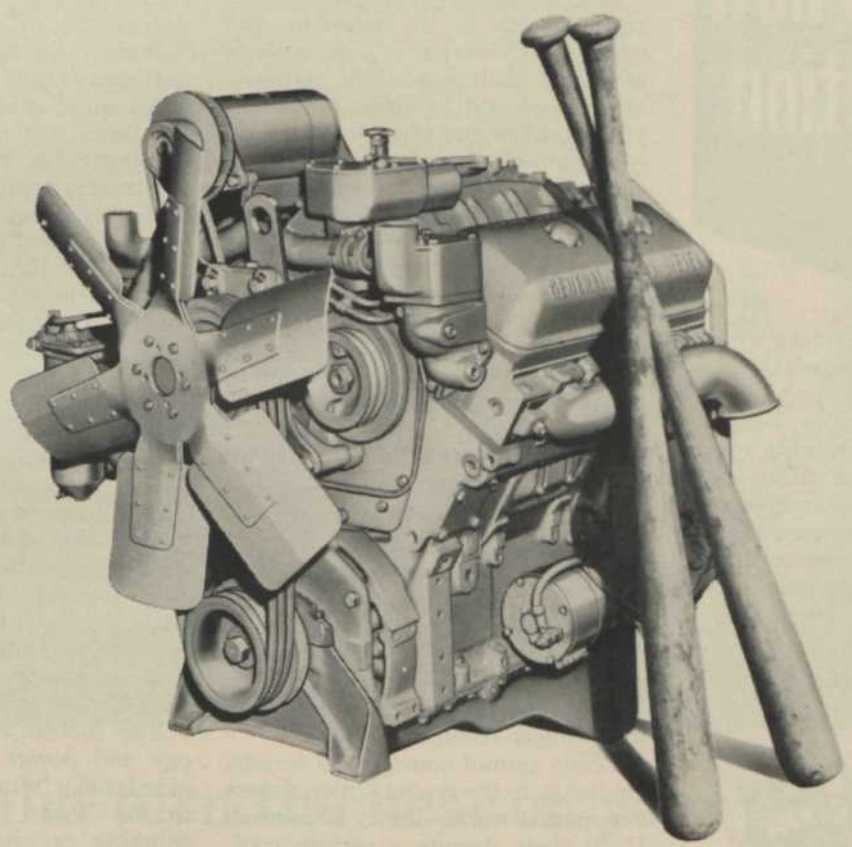
It can now even admit excesses of the past, and shed responsibility by using Stalin as a convenient scapegoat.

If the merit of an ideology is to be judged by its success in helping to preserve and extend the power of a social system, the Kremlin has no need to modify its communist ideology. That much of the ideology consists of mythology is no bar to its continued acceptance. Human behavior is influenced not so much by the facts but by what the facts are conceived to be. The only major revision in the theory of Bolshevik-Leninism which has been introduced by Khrushchev is the abandonment of the dogma that the universal triumph of communism will be ushered in by war.

The communists no longer believe that war is inevitable, although they are prepared to fight one if they are sure of victory and survival.

They are convinced that the movement of history is on their side, that the periodic crises in the economies of the free world, the rivalries and dissensions among the NATO powers, the sympathetic neutralism of the uncommitted nations and the former colonial powers will so weaken the opposition to communism that in the foreseeable future the balance of world power will swing decisively in their direction.

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COMMUNISM

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anticipate that the mere threat of war on their part will produce such fear in the free countries that, either by slow accommodation or by negotiated capitulation, the governments of these countries will accept communist hegemony.

Coexistence means to the Kremlin an intensification of ideological warfare and subversion against the West. It is the path to the peaceful burial of the free countries of the world.

One great threat to communist triumph lies in the possible rifts which may develop in consequence of Soviet violation of the national aspirations and loyalties in its satellite nations and in such independent communist countries as Yugoslavia and China. The leadership in these countries, however, is more communist than nationalist. The nationalist feeling among the masses is not now likely to erupt in revolutions against communist regimes because the latter have a monopoly of military power and the will to exercise that power ruthlessly.

Kremlin disguises its rule

No one believes any longer that the free countries will support a revolt against communism. Without such support it could hardly succeed. Learning from Stalin's mistakes, the Kremlin now masks its rule and strives with carefully calculated ambiguity to make the Soviet Union appear as merely the first among communist equals.

China cannot constitute a serious challenge to the Soviet Union unless communist world victory is assured. Until then, despite a certain coolness, the Soviet Union need fear only the nuisance value of the Chinese threat to precipitate a war with the United States. In view of the internal weakness of China and the reluctance of the Kremlin to take any risks, this is extremely unlikely.

As the Soviet Union grows stronger, it will apply its ideology in flexible ways which will nurture illusions in the West that Soviet totalitarianism is being modified, and that the differences between the free world and the communist world are growing less and less. But although it may somewhat relax its bans against modern music and painting, and call off the watch dogs of doctrinal orthodoxy among scientists, communist totalitarianism will not abandon the dictatorship of the party nor permit freedom of expression to critics of basic Soviet policy.

Every generation produces a new flock of innocents in the West, some in influential quarters, who interpret a lessening in the pitch of communist terror as a move toward genuine democracy. Some naïve souls even point to Khrushchev's command to his technical experts to criticize the details of a party proposal as evidence of genuine liberalization. A command to criticize is an eloquent sign of the absence of freedom.

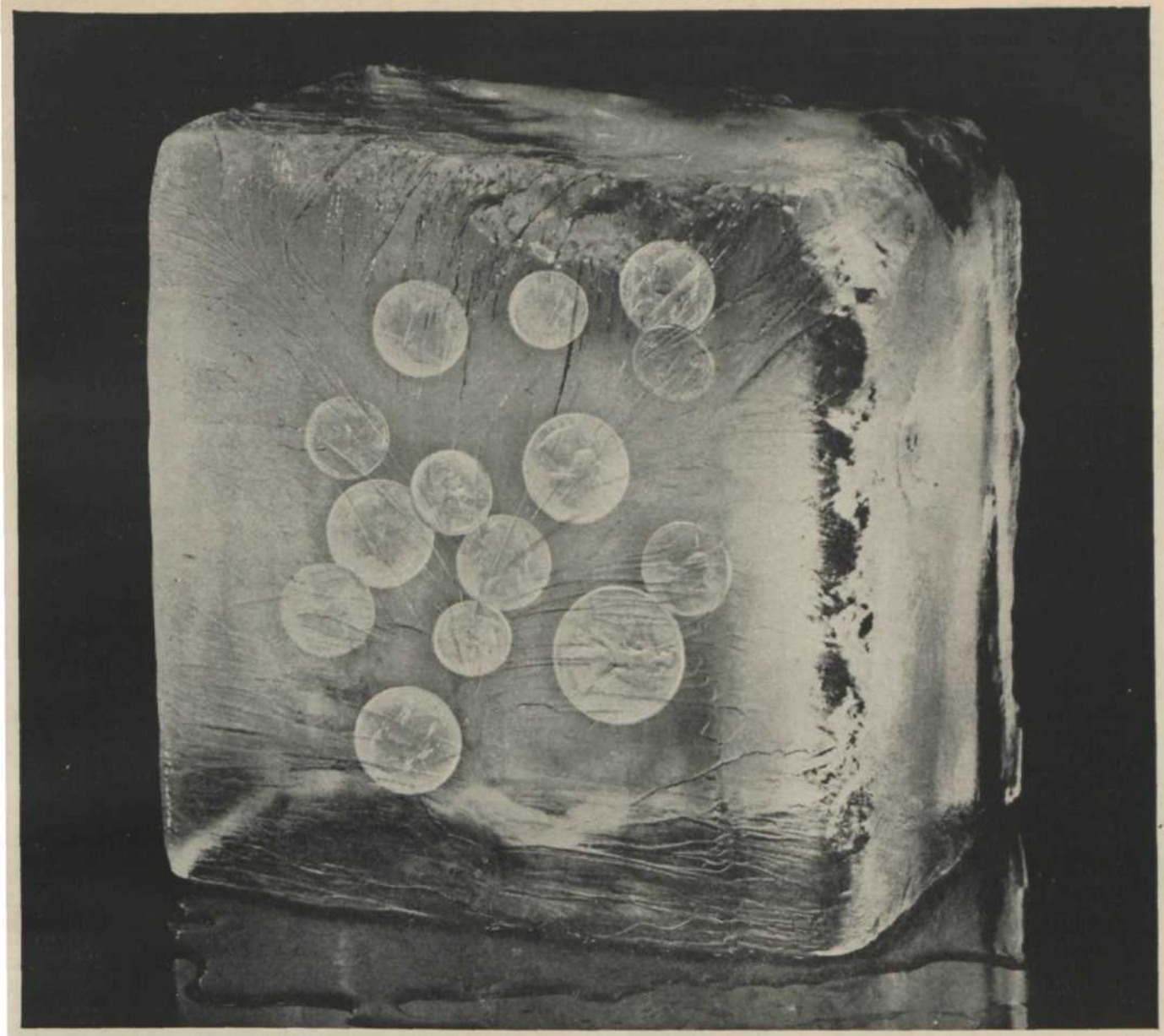
The free nations of the world have organized a viable military defense against further communist aggression in Europe. Although necessary, in the long run it may not prove sufficient if the will to resist communist expansion is eroded. Ideas and ideals may in some circumstances be as important as fire-power, sometimes more important. Assuming, as we all fervently wish, that war can be avoided, the survival of the free world will depend upon its ideas and ideals, upon its intelligence in applying them, and its courage in defending them.

Of particular importance is the area of the uncommitted nations. Neither isolationism nor a give-away program is practicable. We cannot and should not play Santa Claus. We should find ways to show other nations that it is to their own interest, and in accordance with their own best ideals, to resist the new communist imperialism as well as shedding the vestiges of the old.

The success of communist ideology and power in the cold war is aided by a number of weaknesses in the West. The first is wishful thinking, expressed in the consoling but thoroughly false notion that the strength and influence of communism is waning because of changes in its apparent timetable of political and economic advance.

The fact that the Soviet Union has not yet signed a peace treaty with East Germany is not evidence of weakness. Its stand on Berlin, in direct contravention of its treaty obligations, is actually a sign of strength. It will sign a separate treaty with East Germany when the world has been thoroughly prepared for the action.

There are some who even regard the building of the Berlin wall as evidence of weakness. This confuses the question of the popularity of communism with its power. Similarly, some observers herald the continued failure of the Soviet



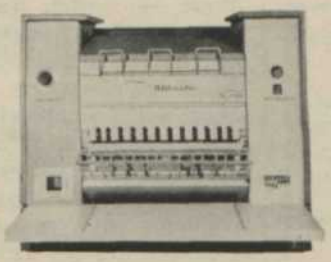
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COMMUNISM

continued

Union to meet the goals set for agricultural productivity as a sign of weakness.

The sober truth is that, short of stark famine, the standard of living of a totalitarian power has little bearing upon its foreign policy goals. The Soviet Union has weathered far more difficult days without moderating its expansionist tendencies.

Too much indifference

A second weakness of the West is the absence of a strong passion for freedom in the thought and behavior of its citizens. The West is living high off the hog, and the Cold War to most people not in immediate proximity to the communist empire is either unreal, or a somewhat boring distraction. Few know, or are concerned with, what is at stake.

The situation in Western Europe is even more disquieting. In some countries anti-Americanism seems stronger than anticommunism, especially among the intellectuals—a very influential segment of the population. We do not need crusades against communism to frighten our people. The truth is sobering enough. But we do need to know the truth, and not merely about communism but about what our own precious traditions of freedom are.

A third factor aiding the communist cause is the presence of strong fifth columns in some Western countries, notably France and Italy, capable of obstructing defense efforts if the necessity of invoking them should arise, and presently contributing to the growth of neutralism in the national culture.

Perhaps the most powerful ally the communist cause has in the West, on which the Kremlin will rely more and more, is the development of the pacifist movement. Most pacifists are individuals of good will but objectively they contribute to encouraging and strengthening Soviet intransigeance. They refuse to recall that the growth of pacifism in Western Europe and England in the 1930's encouraged Hitler.

In refusing to accept reasonable proposals for multilateral disarmament, the Kremlin is obviously banking on the growth of pacifist and unilateralist sentiment in the West.

Pacifism, according to communist ideology, is a sign of decadence and no pacifist movements are tolerated within the communist empire; but outside its borders, communists strive to infiltrate into the chief pacifist peace organizations. By exaggerating the dangers of war, by pretending to believe that any military resistance to communist aggression will spark a world conflagration in which all will perish in a common doom, the communist high command hopes to make the acceptance of its rule appear even to noncommunists as the lesser evil.

Finally, it is a profound error to see the Cold War as the issue of capitalism or communism. This is the way the Kremlin always seeks to present it. But the real issue is not capitalism or communism, Christianity or atheism, but the freedom to choose the economic system, the form of government, and the type of religion under which to live.

It is a disastrous error to identify freedom as such with the free enterprise system.

It is questionable whether we really have a free enterprise system in most countries of the West, including our own.

But one thing is clearly true. Few people, and certainly not the masses of human beings in Europe and Asia, will resist communism at this time in behalf of free enterprise.

With the possible exception of agriculture and retail trade, most Europeans and Asians are cheerfully prepared to accept much government ownership and control of major industries.

Unless we realize and make the world realize, including the masses behind the Iron Curtain, that the struggle against communism is a struggle for human freedom, for intellectual, cultural and spiritual integrity and independence, for the right to be different, to say "no" to arbitrary power and authority, we are dooming ourselves to ultimate defeat.

It is also nearsighted to make the issue merely one of productivity. It is not inconceivable that in the system of industrial feudalism which prevails in communist countries, where the state controls the allocation of all resources, where free trade unions are not permitted, that in time more refrigerators or television sets or what-not can be produced than in the free countries of the West.

What of it? Even if a slave enjoys better living conditions than a free man, this is not an argument



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against freedom, aside from the fact that the slave never knows when he will be deprived of his privileges.

If the Soviet Union can overtake us in producing machines for space flight, it is conceivable that it can overtake or outproduce us in other goods and services. But the one great good in which it cannot overtake us is, and should be, the freedom of an open society.

It is too late to retrieve the errors which the West made in dealing with the Soviet Union in the past, especially during and after World War II. No political party or group has had a monopoly of stupidity on this score.

Unless we believe in freedom with sufficient passion to be willing, if necessary, to go down fighting for it, we shall lose our freedom. If we are willing to defend freedom, it will not be necessary to go down fighting; for the communists, who make a fetish of survival, will never undertake a war they are not confident of winning.

As a slogan, "There is no alternative to peace" is as politically foolish and as morally base as the slogan "Better Red than dead" because its effect is to encourage the communists to threaten the free world with war in expectation that we will choose communism and peace, if there really is no alternative to peace. Far better to say: "There is no alternative to freedom." If we believe this and act on it, and accept the sacrifices it requires, we will preserve both peace and freedom.

In the long run our best hope is that by remaining free, and giving the world and the peoples under communist domination an example of a free and prosperous and socially just culture, the communist countries themselves will evolve towards more democratic forms as a consequence of increasing popular pressure upon their own governments. We must live up to our own ideals not only for the sake of ourselves but for the sake of human beings everywhere.

COMMUNISM: WHAT LIES AHEAD • 3 • By LEON HERMAN



AT THIS critical point in history, we have a right to ask: What are the hard facts in the economic competition between East and West?

Only by answering this question can we move to intelligent conjecture on what the future will bring in the conflict between the economies of the free world and those of the communist bloc.

The facts are plain. Soviet Russia, 45 years after revolution, stands astride a trouble-ridden economic empire which seriously restrains the power reach of the Kremlin's ruling clique.

This is not to say that Russia and her satellites do not possess the capacity to damage the equilibrium of world trade in areas of the communists' choosing, or even to wrest some markets from nations outside the bloc. But the weaknesses besetting the communist economies are so severe, and so ingrained, that nothing short of radical changes could correct them. And, were such changes undertaken, they would undermine the power and privileges of the Soviet political rulers, making it impossible for them to use Russia as a base for forcing the rule of communism upon the rest of the world.

After four and a half decades of imposing its own economic mold on the Russian population, the regime has been unable to produce anything more imaginative than a lumbering imitation of the wartime economy known in the West. This, in fact, is precisely the way a communist economic scholar, Oskar Lange of Poland, recently described the Soviet economy.

Russia's economy is badly out of balance. Prodigious efforts to build basic industrial capacity have taken a grinding toll in the consumer sector without bringing the country abreast of the United States in basic industrial power, to say nothing of Russia's position relative to the fantastically growing economies of free Europe.

The Soviets' problems begin with the land. Here, the vicious circle of low incentives and low productivity continues to grip nearly one half of the manpower of the USSR. This enormous farm labor force—48 million persons—barely manages to feed the country. An American dairyman from Georgia, who toured the Rus-

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COMMUNISM

continued

sian countryside this year, brought back this impression:

"I kept feeling that I was back on my granddaddy's farm. They were doing things about the way he did them—by main strength and awkwardness. Even their dairy cattle didn't look much better than the old piney-woods cows he used to raise. They were horned and bony and had funnel-shaped udders, and some didn't look like they'd give much more milk than a goat."

The boom in labor productivity that came to the farms of free world nations in recent decades has entirely bypassed the communist motherland. At the same time, the American farmer, free to experiment and to invest as he chooses, learned to raise a bigger and better harvest with an ever declining labor force. Our farm manpower has diminished from 13.5 million in 1920 to seven million in 1960; from 30 to 10 per cent of the national labor force.

Russia's collectivized farms, by contrast, while they have systematically short-changed the nation in food, have devoured 45.4 per cent of the nation's manpower.

High-priority industry

The Soviet government has always been conscious of the strength inherent in a vast industrial plant. For internal as well as external reasons, therefore, the regime has regularly plowed back a maximum of resources into the effort of accumulating industrial power as rapidly as possible.

As a result, the USSR is now producing 78 per cent as much steel as the U. S., 90 per cent as much cement, 37 per cent as much electric power, 46 per cent as much crude oil.

However, the contribution of modern industry to the good life is not measured merely by the size of smokestacks. It is measured by the abundance, variety, and precision with which it fills the pipelines of finished goods leading into the stores and, ultimately, the homes of the nation. In a peaceful society, we all agree, the consumer is the proper beneficiary of production.

By this test, Soviet industry is a failure. Such household accessories as washing machines, refrigerators, vacuum cleaners, coffee makers, toasters, are turned out in token quantities: for example, one refrigerator per 100 families.

Even this recent concession to consumer comfort, miniscule in volume and substandard in quality, has been forced upon the communist leadership by the pressure of the outside world. In a very real sense, this is our victory; the victory of the values of the reasonable, affluent society over the values of the driven and drained communist world.

One device used by the masterminds of the communist revolution to keep up the hope of their followers for victory was the shrill promise that their system would, before long, reach a level of worker productivity unknown anywhere in the world.

Yet, high productivity continues to elude the Russian taskmasters. They have indeed mobilized a huge army of workers. The whip of low wages has driven women, youths and the overaged into the labor force in great masses.

Russia now has an industrial labor force 40 per cent larger than that of the United States. Yet the smaller U.S. labor force turns out a product that is more than two and a half times as large as that of Russia.

Census Bureau statisticians estimate that the average output per production worker in Russia is equal to only 31 per cent of worker productivity in this country. This figure takes on a special significance when we consider that in 1913, nearly 50 years ago, average labor productivity in Russia's industry made a better showing relative to its U.S. counterpart. In that year it stood at 40 per cent of our level.

Criticism grows

In recent years, the primitive method of managing the economic life of a nation in the manner of a military establishment has come under increasing fire within the Soviet Union itself. Prominent economists, designers, and industrial executives—always men who enjoy a measure of immunity—are seriously mocking the system and prodding for a more imaginative approach.

This criticism is still easily drowned out by the blaring manifestos periodically released by the Kremlin to describe the deliriously happy future. The future, incidentally, now is packaged in larger, more garish, 20-year containers. We may guess that the Soviet population has developed a kind of immunity to five and seven-year plans.

Moreover, the promises for the future now are heavily sprinkled with details of a coming abundance for the masses. The vision of a powerful state industry no longer seems to evoke the desired response. Khrushchev is digging up new types



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COMMUNISM

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of quotations with which he hopes to upset the growing impression around the world that communism and poverty are doomed to remain natural companions. He now quotes Marx and Engels to urge that communism, too, can show that it can prevent the universal spread of poverty. He even reminds his audiences, again for reasons of morale-building, that "Lenin himself urged us to learn from the capitalists in the organization of production—to learn to trade."

As a matter of fact, the Russians are learning, but in their own fashion: copying freely from the West, on a catch-as-catch-can basis. And so, they have missed the essential lesson of the Western economic experience, namely that the development of the economic potential of a nation is an endlessly intricate, successively balanced, cooperative venture. The citizens and groups that make up the nation, as we know them, have achieved this cooperation through freely elected, regularly tested constitutional government.

Trade for politics

Foreign trade in Russia is more suitable for political combat than for commercial exchange. There is no independent trading community. All citizens and organizations are forbidden to engage in trade. A single government agency, the Ministry of Foreign Trade, has exclusive power to maintain contact with the outside world for trading.

Soviet behavior in the world market has shown the Kremlin is willing and able to disrupt the normal pattern of commodity trade for political advantage. Its potential for disruptive tactics is sizable.

In the marketing of petroleum, for example, the Soviet trade monopoly does not hesitate to slash the going price, by as much as 20 and 33 per cent, to break into markets of other suppliers, primarily producers in the Middle East.

By use of the same price-cutting methods, coal and coke from Russia and Poland have penetrated the markets of Scandinavia, with a view to undermining the regular suppliers from Western Europe and from overseas.

These commercial depredations have had their victims in the past. Other nations and industries will undoubtedly feel the sting of the Soviet commercial whiplash in the future. Yet, all these aggressive forays cannot hide one fundamental fact: The Soviet Union and its satellites constitute a minor factor in the broad movement of goods in international commerce. At present, Russia's exports to all destinations outside the bloc account for less than two per cent of world trade. For the bloc as a whole, the figure is only slightly higher.

In the years ahead, Russia's urge to cut a large figure in the world market will continue to be thwarted by two innate weaknesses.

For one thing, free world trading nations possess such a vast, diverse reservoir of commercial resources that the communist bloc rather than the West would be by far the greater loser in the event of any rupture in trade between the two groups. Stalin attempted a sit-down strike in trade against the West during the late 1940's, and suffered damaging economic losses.

For another, the Soviet economy is unable to generate a large enough volume of industrial exports for the purpose of enticing less developed countries away from their natural trading partners in the West.

The inescapable fact is that the less developed nations even now import annually, in round figures, $9 billion worth of machinery of all kinds. To this huge flow, the Soviet bloc contributes only $300 million a year.

The free world nations, furthermore, supply not only the bulk of the machinery imported by the newly developing nations; they also provide the bulk of the loans that go to help finance their development. Here, too, the odds are heavily in favor of the West; $8 billion a year, as compared with $310 million per annum extended by the Soviet empire.

Khrushchev is finding it increasingly difficult to conceal his anxiety and anger over the European Common Market. He sees the vigor displayed by the free and enterprising nations of Europe, a vigor generated by real and willing cooperation. He sees the free nations throughout the West opening their markets to each other, encouraging the exchange of skills, and improving the use of their resources. The communist nations, by contrast, are stubbornly shutting themselves off from the global trading community and keeping their commerce under monopoly control behind the empty slogan of "a socialist world market."

Khrushchev would like to stop the Common Market nations from trading more actively for their own

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good, from reducing the barriers to the free movement of goods, capital, and labor across their own national frontiers. But he can no more force the barriers to be raised again within the Common Market than he can persuade the communist ministries of trade in the Soviet bloc to overcome their bureaucratic lethargy and behave like profit-motivated, practical men of business.

The Soviet regime is entering a stage where its unresolved economic problems are becoming visibly intertwined with the deprivation of human rights. The economic mechanism the communists have devised is quite effective in expanding the size of industrial plant, at a steady pace. They can also, if they wish, expand farm acreage and the machinery needed for work. The physical structures, in short, pose no serious difficulties. The unanswered problem is how to infuse these structures with normal human incentives, with initiative, with a spirit of cooperation based on genuine self-interest. They could get this cooperation only if they were willing to recognize the human rights of the participants—peasants, workers, executives, youth, and women.

COMMUNISM: WHAT LIES AHEAD • 4 •

By CHARLES BURTON MARSHALL



THE COMMUNISTS in the years ahead can be expected to use the weapons of unconventional warfare in areas both adjacent to and far removed from their own borders.

Cuba vividly testifies to the point that they will not confine their thrusts merely to areas directly accessible to communist territory.

The potential for further adventures of this kind exists among the rimlands of Asia, through much of the Middle East, through Africa, and large portions of Latin America. The threat is an active fact in parts of Southeast Asia, especially Viet Nam.

Countering the multifarious danger of communist aggression short of open, general war will continue to involve the United States in a competition of a most pervasive, subtle and exasperating sort—a competition bound to last a very long time, even with the best of luck.

The U. S. can do much to help needy, neophyte states to make their way as going concerns, but even at best our help can be only marginal. The most obdurate aspects will remain within the jurisdiction of the societies under threat and beyond our power alone to solve.

These are the aspects relating to attitudes taken toward each other by regimes and peoples, to concepts of allegiance and authority, and to the views of human possibilities within their cultures.

As to how the competition is coming along, anyone is susceptible to being too much influenced by recent events. A few reported successes bring euphoria. Then a few reverses darken the prospect again. Actually, it is a long, long struggle over the character of a new world order, if there is to be one, and inning-by-inning scores mean little.

Dismissing the communist claim to a predetermined triumph does not justify the opposite conclusion—that the burgeoning, underdeveloped states, old or new, are all destined to make their way successfully into a free, democratic order.

As in all great confrontations of history, the outcome will be settled by factors of nerve, wisdom, perseverance, and adaptability. These attributes, not destiny, are what we must count on.

The communist mentality

To understand more fully what we face, one needs to consider the totality of the communists' claim on the future. Their dogma is unchanged in this respect. As at the outset, it assumes and asserts the complete and ultimate triumph of communist outlooks, interests and purposes—a matter not just of propaganda but of profound conviction.

The communists see this outcome as ordained by a law of history. The Communist Party is supposed to have exclusive insight into the law and what it requires. The Party is placed in the role of sole interpreter and guardian of what is right. All other outlooks, interests, and purposes are seen as deviant and illegitimate.

To communists, as to anyone else, peace means a legitimate order free of conflict. As claimants to a mo-

nopoly of legitimacy, however, the communists interpret peace exclusively as an ordering of affairs favorable to their aims and interests. In this view, violence can be justified as conducive to peace, and disorder extolled as an instrument of order, if they further communist advantage.

Hence, the current Kremlin line, while making a big pitch about peace, condones and indorses what the Red leaders call "national liberation wars."

War, for the communist, is advocated in the name of peace if it serves the cause, and is frowned upon if it opposes the supposed momentum of history toward communist triumph.

Nuclear wars are ruled out, because they would put too much in jeopardy—though Moscow and Peiping differ in assessing the risks. International wars at lower levels of destruction are, and will be, ruled out because of the danger of their unfolding into nuclear wars, again with differing emphasis on the risks.

"National liberation wars" are approved unequivocally by both polar capitals of communism. The phrase embraces internal attacks leveled against any noncommunist regime, especially when considered likely to promote communist advantage. This does not mean that the communists have contracted themselves into supporting every war to overthrow another regime. But they do assert a right to interpose with support whenever they find it opportune.

Under the communist assumption about the movement of history, Red intervention in support of such wars is regarded as innocent assistance of a domestic character, but any counterpart interposition by noncommunist powers would be illicit and would involve international issues. This is the way their theory puts it.

Prodding history along

Communist policy, now and in the future, is and will be predicated on the asserted ultimate destiny of other peoples to be compelled into the pattern of Marxism-Leninism after successive failures of every other attempted course. The arts of internal aggression, ranging from subversion to unconventional war, are but ways of prodding history along a supposedly predetermined course. The party cadre in each society is the primary instrument, but every disaffected group is a potential auxiliary.

The range of opportunity for the communist powers to stimulate and



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to exploit internal aggressions against the other regimes cannot be measured with finality. Any faltering regime is regarded as an eligible target.

Internal conflict is a malady of politically weak societies, and the world abounds with them—societies thrust into modernity without habits and institutions for coping with it, launched into independence without really knowing what to do with it, or decked out with nominal sovereignty without having a matching pattern of authority and allegiance or a true grasp of nationhood.

The relevant deficiencies arise from tribal backgrounds, from the inhibiting effects of tradition, or from the divisiveness of antagonistic religious beliefs.

They may be aggravated by dynamics of population growth, by power of modern communications to elicit mass responses, by cultural dislocations and many other circumstances.

In one case, communist opportunity may arise when a regime, unsure of its popular standing, seeks survival through oppression and thereby leaves effective political communication to undercover opposition. In another case, political forces representing revolutionary impulses may accede to power by rallying mass emotions behind unattainable aspirations—thereby making way for communists as the receivers of bankrupt revolution.

Either way, communism gets an opportunity to assert its claim to the mantle of revolution and to persevere in conquest without resort to acknowledged war, which has become too uncontrollably destructive to be a practicable instrument for great powers under present circumstances.

COMMUNISM: WHAT LIES AHEAD • 5 • By JOHN TURKEVICH



AS THE CONTEST between communist Russia and the capitalistic democracies of the West enters its fifth decade, the area of battle will shift more and more to research, development and the production of new materials.

The Soviet Union has scored marked victories through better planning, coordination and utilization of the West's extensive scientific discoveries and its own limited technical resources.

We have not integrated science and technology effectively enough into our own society. To win the cold war we will have to eliminate such faults as excessive competition in research and development, tardy recognition of areas of technological combat with the Soviets, poor use of scientists by industry, and poor liaison between the National Aeronautics and Space Administration and the scientific community of the nation [See page 31.]

We shall ultimately win the contest both in space and in other areas of science. But to insure a more speedy victory we must thoroughly re-examine how best to organize our scientific efforts.

Right after World War II Soviet leaders used research and development very effectively in the military sphere. With the help of captured German scientists and knowledge obtained through espionage, the Russians mobilized the limited scientific and industrial resources of a war-ravished land to produce both atomic and hydrogen bombs.

In the armaments race that ensued, both competitors seemed to have achieved the ultimate in destructive power. Drawing on a long tradition in aerodynamics and rocket artillery—and the German experience with V-2 missiles—the Soviets built up a research and development program that gave them a crucial technological breakthrough in a rocket with far greater thrust than any produced by the United States.

Until we develop better rocket engines than those of the USSR, the communists will score repeated propaganda victories—the biggest when they land their nationals on the moon. We would be foolhardy to ignore the military implications of these successes in space. They are serious. Control of space over the United States by a foreign power would gravely weaken our deterrent strength.

Soviets set goals

The success of its military research, development and production program has encouraged the Soviet Union to apply the same

organization and operating techniques to its internal economy.

In 1961 the research and development program of the USSR was reorganized. A vice premier devotes all his time to the problem of how science and technology can best serve the aims of the Communist Party. Under his direction, a State Committee for the Coordination of Research operates at the Council of Ministers level. It surveys the status of world science, determines which lines of technical development will be most fruitful to Soviet aims, and then coordinates all scientific and industrial activity along these lines.

Some of the important paths so identified are the development of the plastics industry; support of a weak agricultural economy with fertilizers, pesticides, herbicides and labor-saving machinery, and recourse to automation to overcome both the shortage and low technical ability of Soviet labor.

New areas of concentration are weather control, oceanography and chemical catalysis. It's easy to visualize the strength Russia would have if it were able to control the weather over the United States, exploit the riches of the oceans, and develop catalysts that would run its industrial processes more productively and less expensively than ours.

The Soviet Union stresses applied, rather than basic, research. Nevertheless, basic research is impressive, particularly in the theoretical aspects of science.

Pure mathematics is strong in the Soviet Union. There has been close and productive liaison between techniques of advanced mathematics and engineering applications. Computing installations are not so numerous or sophisticated as those in the United States but are sufficient to satisfy the exacting requirements of guidance for space flights.

The Soviet Union does not have the large optical observatories of the United States and is concentrating on radio-telescopes both for the investigations of radiation from space and for tracking satellites.

In atomic energy there has been considerable Soviet progress in design of power reactors, accelerators and devices for obtaining useful energy from the hydrogen bomb reaction. Low-temperature physics associated with the name of the Russian physicist P. L. Kapitza has become world famous. It has been exploited for making liquid

(continued on page 82)

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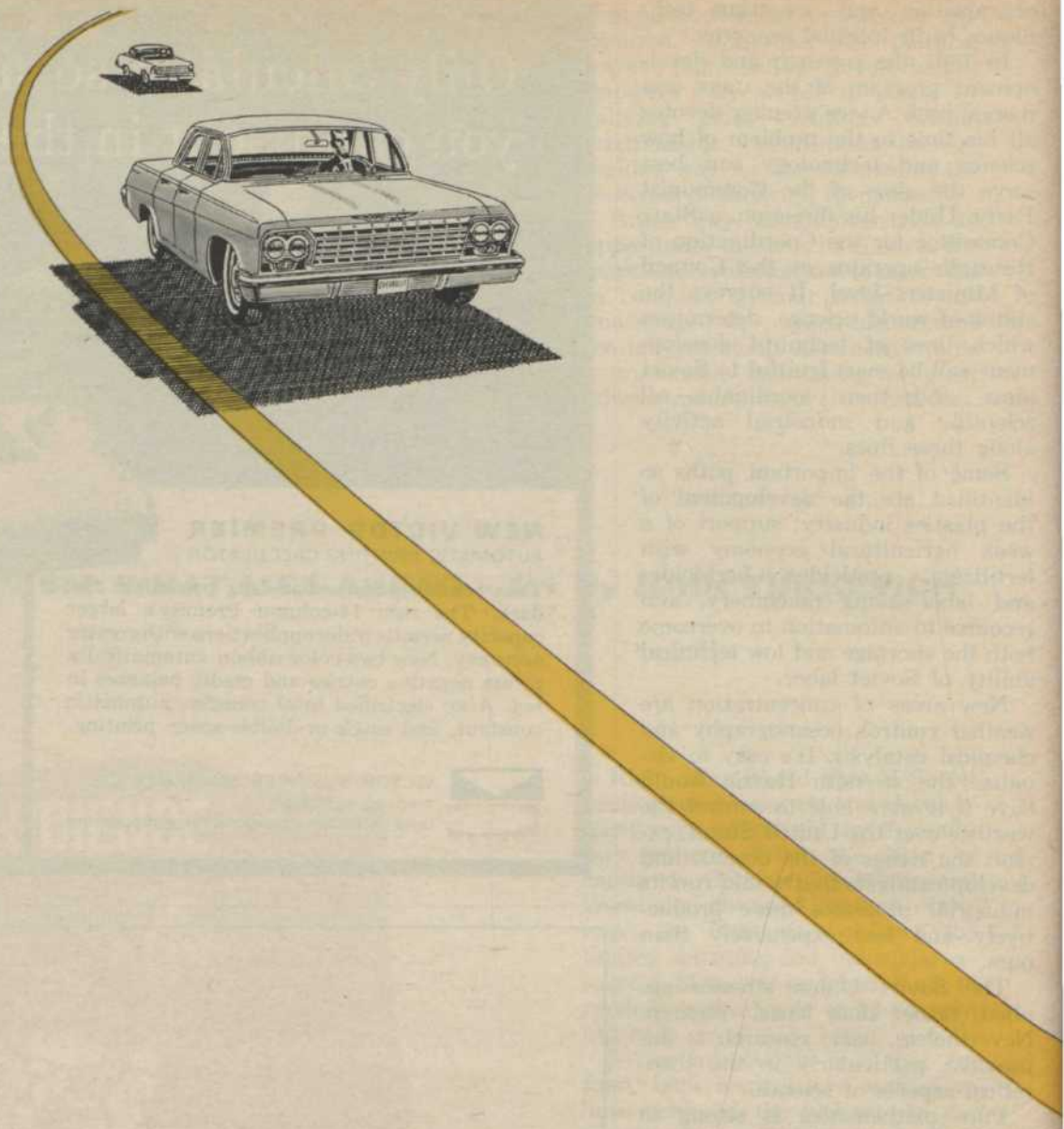
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The '62 Chevrolet and Chevy II you see above on the left, like our others before them, were good fleet buys.

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We've improved our standard V8. It now provides an additional 25 hp without sacrificing much, if any, economy. The '63 Chevrolet also has new self-adjusting brakes. They will save you time and money.

It has a new Delcotron generator. This will give you more ample electrical supply. It will keep your battery working longer, too. The '63 Chevrolet also has a new way to guard its Body by Fisher against rusting out of rocker panels under the doors. Something you'll appreciate at trade-in time.

And its beautiful new styling makes it look much richer than its low price. It will speak very well of your company.



BETTER

Some things, of course, we would have been foolish to change in this '63. Like its Jet-smooth ride—unquestionably the best in its field; or its generously spacious, extremely comfortable and library-silent interiors; and you should find its deep-well trunk more than adequate.

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COMMUNISM

continued

oxygen both for industry and for rocket work. The physics of the solid state—that of transistors, thermistors, lasers, masers—has lagged behind.

The Soviet Union has been strong in the fields of combustion, explosion, chemical batteries, organic phosphorous compounds.

In other fields of chemistry, Soviet effort has not been impressive.

Russian geology is still combing the wide expanses of the Soviet Union for valuable ores and minerals.

Even a short survey of Soviet science shows that it has many outstanding personalities. But its strength should be placed in proper perspective: For every good scientist in the Soviet Union, the United States has 10 scientists just as good or better and there are fields where America has many and the Soviets none.

Science and technology are dominant forces in the Twentieth Century. As such they have an overwhelming role in determining the status of the Soviet Union both externally and internally. For science and technology have made the USSR a threatening military power with political influence all over the world. They are also the hope of Russian leaders groping for a way out of an internal economic impasse.

On the other hand, science and technology have wiped out the very bases of Marxism-Leninism. They have shown that the dictatorship of the proletariat and communism do not represent a form of society that provides people a good life. On the contrary, through technological advances, capitalism has been able to meet the increasing demands of labor which, according to Marxism, would lead to an inevitable collapse of our system. Furthermore, the Western system is sufficiently resilient to develop through technology new sources of national income, thereby compensating for the loss of colonies.

Capitalism has produced an affluent society. Communism has produced misery and poverty. **END**

REPRINTS *of "Communism: What Lies Ahead," this series of five articles, may be obtained for 25 cents a copy or $20 per 100 postpaid from Nation's Business, 1615 H St. N.W., Washington 6, D.C. Please enclose remittance with order.*

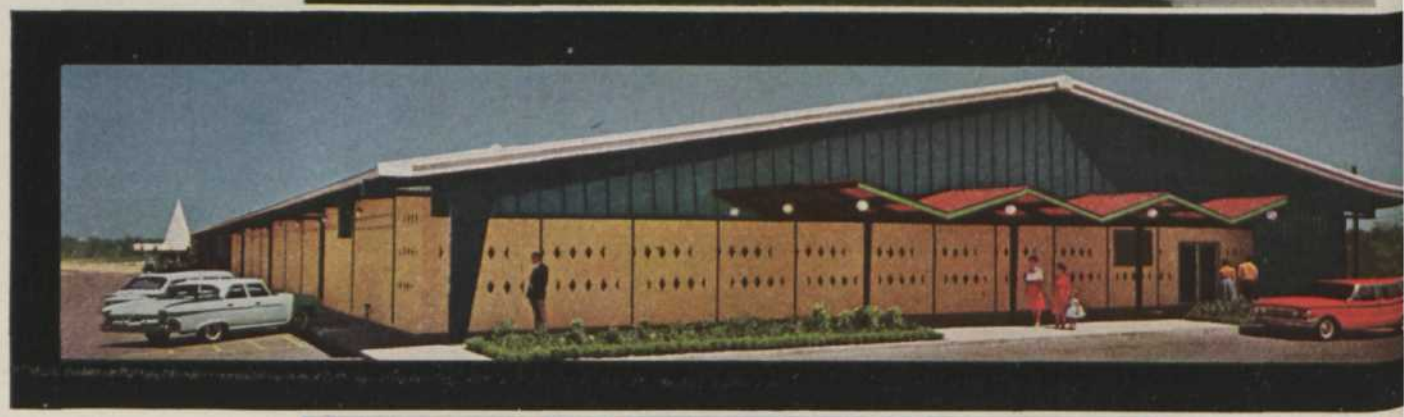


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YOU CAN CURE OVERLAPPING MANAGEMENT

Understanding the four causes of duplication is first step toward eliminating it

OVERLAPPING responsibility is one of the most universal business ills.

No company eliminates it entirely, and it keeps coming back. The only way to combat it is by periodic attention, with a sharp awareness of exactly where to look.

"Double management," another name for this condition, gets started in four main ways:

- People who lend extra help when a new operation is first set up often stay in the picture semiofficially long after the need has ended.
- Executives who take a hand in straightening out a problem in a related department let this temporary interest become permanent.
- An adjustment of duties made to cover one individual's weakness remains a tradition even after there have been management changes and the need has passed.
- Men who have been promoted stay too close to their old duties, putting a strain on themselves and a restraint on the people coming up behind them.

The common denominator in all of these is failure to adjust responsibilities to shifting realities. A temporary circumstance freezes into permanence; a conscientious attempt to be sure that everything goes right becomes as inhibiting as parental supervision that goes on too long.

Most cases result from the best intentions. There are a few exceptional cases of men who feel more secure with a finger in every pie, who try to make themselves indispensable or who see this as a route to advancement. But most of the individuals involved simply get into the habit of reviewing certain decisions, checking certain reports, attending certain meetings. Harried, they keep wondering how they could lighten their burdens, without ever realizing that part of the load they carry is not properly theirs.

Knowing what has actually happened in other companies is a prime requisite to spotting the duplication in your own, because this is an area where recognizing and identifying the habit is more difficult than attacking it.

From once to eternity

A startling amount of obsolete effort is carried over from the first time that something new is started in a company. This may be as important as establishing a new division or as trivial as designing a new report form. New divisions need a great deal of attention that becomes unnecessary, even undesirable, later on. New reports are scheduled to circulate to people whose duties later change. In big things or small, there is a tendency to leave things as they started.

If your company has ever expanded into additional quarters or added a new line of products, you will recognize this example that occurred in a major chemical company: A new plant to produce raw materials for the plastics industry was started. As work progressed, it became apparent that the cost was going to run at least a third higher than the original estimate because an entirely new work-flow plan had been introduced, involving changes in the building as well as in the equipment.



Worried about the extra expenditure and determined to see that it went no higher, the company president instructed his own special assistant and the financial vice president to keep a closer watch on all the details. These two men formed an unofficial team with the division manager who had been in charge of the project. They checked on the progress almost daily, and the division chief did not resent the intrusion because it gave him a chance to show these representatives of top management that the changes he made had been right, that the costlier building embodied newly developed manufacturing concepts that would prove an advantage in the end.

By the time the building was constructed and production had started, these three men were used to working in concert. The division manager found that he liked having so direct a pipeline to the corporate apex.

For two years after that—until a management shuffle forced a change—he kept presenting his problems to them, talking over decisions before he made them. The results, which had been good during the construction phase, were unhealthy in normal times.

Other divisions began to resent the greater attention that was being paid to the plastics people. The head of the plastics division showed a lessening of initiative. His effectiveness suffered from the sheer physical delays of taking so many issues to other men before deciding them. And his own subordinates began unconsciously to lose respect.

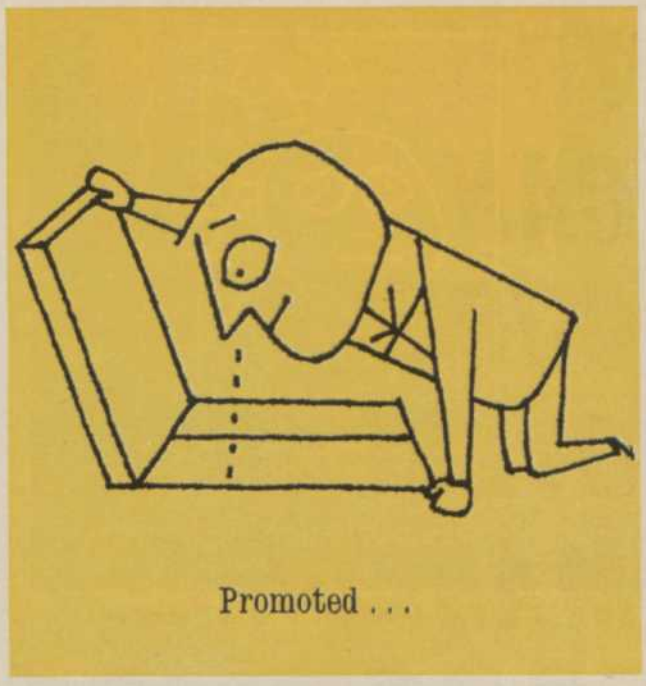
"We had begun to feel that we were working for a committee, rather than for one man," an assistant now recalls in confidence. "I'm glad that habit of checking everything with the head office has been broken."

The insidious overlap

Even more common are the cases where a function or a service that falls between two departments is apparently settled cleanly on the organization chart, but actually remains a time-waster in practice.

Is the storing and issuing of raw materials to be decided by the purchasing director or the production chief? How far can the office manager's authority to modernize the accounting and control systems intrude into the methods of other departments? Do such services as maintenance, messengers, telephone, and duplicating come under the operating departments that use them most, such as sales or production, or is the responsibility left to a separate authority such as the controller?

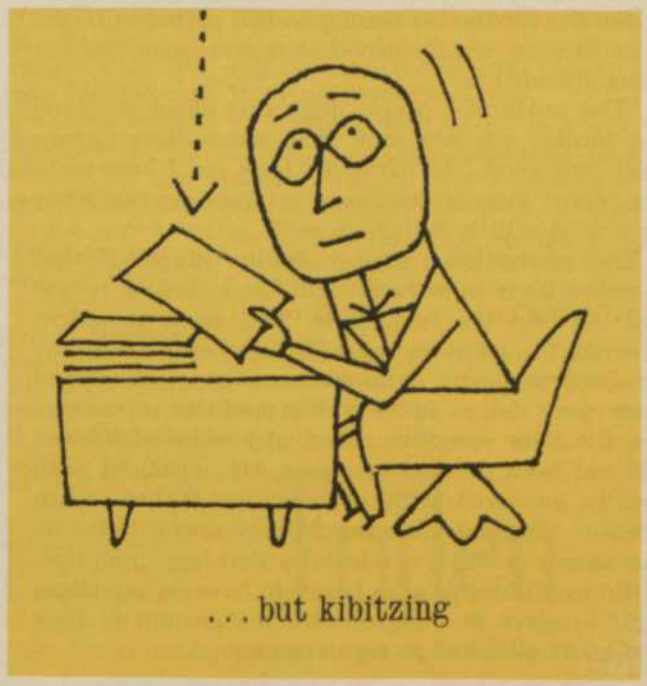
A certain amount of conflict in such areas is natural. The organization chart reflects an arbitrary decision, for example, that the purchasing function is to fall under production because most purchases are for that end of the business; but the decision doesn't settle things forever. The office personnel will often suspect that their supply needs are being given second place. Clashes of interest are inevitable from time to time.



Promoted . . .

In such cases, occasional consultation that cuts across strict channels is good, perhaps even vital. But consultation as a pattern of behavior soon becomes a case of too many cooks.

The sales department is involved in conflicts of this sort more often than any other because of its very nature. Almost anything having to do with the company's product and with its public is related to sales. So when the sales manager says he has to control warehousing to assure prompt deliveries, or advertising because it is the first step in capturing



. . . but kibitzing



the customer's attention, or repair services because they are bound up with customer satisfaction, he argues from strength.

Often, however, he is happy not to be charged officially with these responsibilities. He prefers to concentrate on directing the sales staff. But he finds himself involved in warehousing or repair complaints so often that they become fringe duties. This kind of fringe helps no one. Burdens that are duplicated by two executives are not equally divided; each man goes through the whole job in his mind. Worse yet, effectiveness probably declines.

An electrical appliance company recently went through this with its repair department. Since repairs are a technical matter, this service had always been under the production manager. But periodically the sales director complained that repairs were the last thing attended to.

"The production people don't care about anything but turning out new stuff that makes their factory costs look good," he moaned. "How can I keep making repeat sales if customers get poor service when they need a little help from us?"

The production manager finally suggested that someone from sales meet with his technical people and iron out the complaints. This set a precedent whereby the assistant sales director began reviewing repair department performance each week. When there were delays in returning products to customers, the sales executive asked why more man-hours had not been devoted to repair. His questions were usually answered with explanations of how much pressure the production people were under. Often he was shown production schedules that had to be met. Little by little, this man began to have an unwritten right to agree or disagree with the amount of time and effort allocated to repair work.

This blurring of responsibilities came to light only because it was making repair services worse. As long as the sales department had been merely observing from outside and complaining when it found customers dissatisfied, the production chief had made sure to keep repair service at a certain minimum level. When sales moved into the picture and began to "understand the problems" of the production department, it was easier to explain why certain things "just couldn't be done" at a given time. The sales executive could no longer bring himself to say, "I don't want to hear about your troubles. Just get the repairs done."

The company is now about to make a complete change in its repair setup. The executive vice president thinks he may move the repair function under the sales department entirely.

"It is essential to our sales," he says. "If it's totally inside that department, even as difficult as this may sometimes be from a technical standpoint, we can be sure that the repair men will stay put and work on that one job alone. We'll either do that or else tell the production boss that he is in sole charge of repairs—with no interference from sales—but that he's got to keep his delays down. In other words, put repair on a quota basis as strict as we have in production. We'll have no more of this 50-50 authority."

The weak and the strong

The interworking of individuals, their personalities, abilities, and prestige, causes a great many other cases of fuzzy authority.

However seriously a company tries to set up its organization on the basis of job functions, everyone knows there have to be deviations here and there. A man who has had a serious illness has to shift some of his responsibilities to three or four colleagues; a creative scientist who proves to be a poor administrator is kept as head of the research department, but emergency arrangements are made to have some of his supervisory duties handled by men outside the research group; a man of great ability but intransigeant personality is cushioned from meeting the public, and others take over more of the outside contacts that his job usually calls for.

In more cases than not, these arrangements become the custom. After a year or two, few remember why there was an adjustment. Let it go on a little longer, and the setup will never be questioned. Yet, it is likely to be inferior to the original, as any makeshift is apt to mean settling for second best.

Once the men who fill the various jobs move into others, or retire, or regain their original health, this new condition should be recognized and acted on.

The personality factor is not concerned only with weaknesses. Just as often, it is a man's strong grasp on the duties he has learned to perform well that results in duplication. As he moves up, he keeps closer contact with duties he has just left than with other functions under his enlarged responsibilities. A man may *(continued on page 90)*

4 ways to tell if you need automation

Ask yourself: Is there a definite *need* for automation in my office? Or am I jumping on somebody else's bandwagon?

Basic automation will automate the *basic* paperwork tasks of running a business—like the preparation of purchase orders, sales orders, invoices, payrolls, etc.

There are 4 "danger signals" that can tip you off as to whether your company has a clear-cut need for basic office automation.

1. *An increase in office personnel.*

Some companies feel a steady increase in office personnel is a sign of company growth. But it can be a sign of office bottlenecks instead.

If you are hiring new people to create paperwork by the same process you've been using for years, you need basic automation. Your procedures may need overhauling and you would profit by calling in a systems man to analyze your present system, suggest improvement and tell you what to leave as is.

2. *A high level of worker turnover.*

Office-worker turnover is a profit-eater. Excessive work loads can be reduced by automated office equipment. Poor work flow or departmental organization can be corrected by a data systems expert.

3. *A high level of repetitive paperwork.*

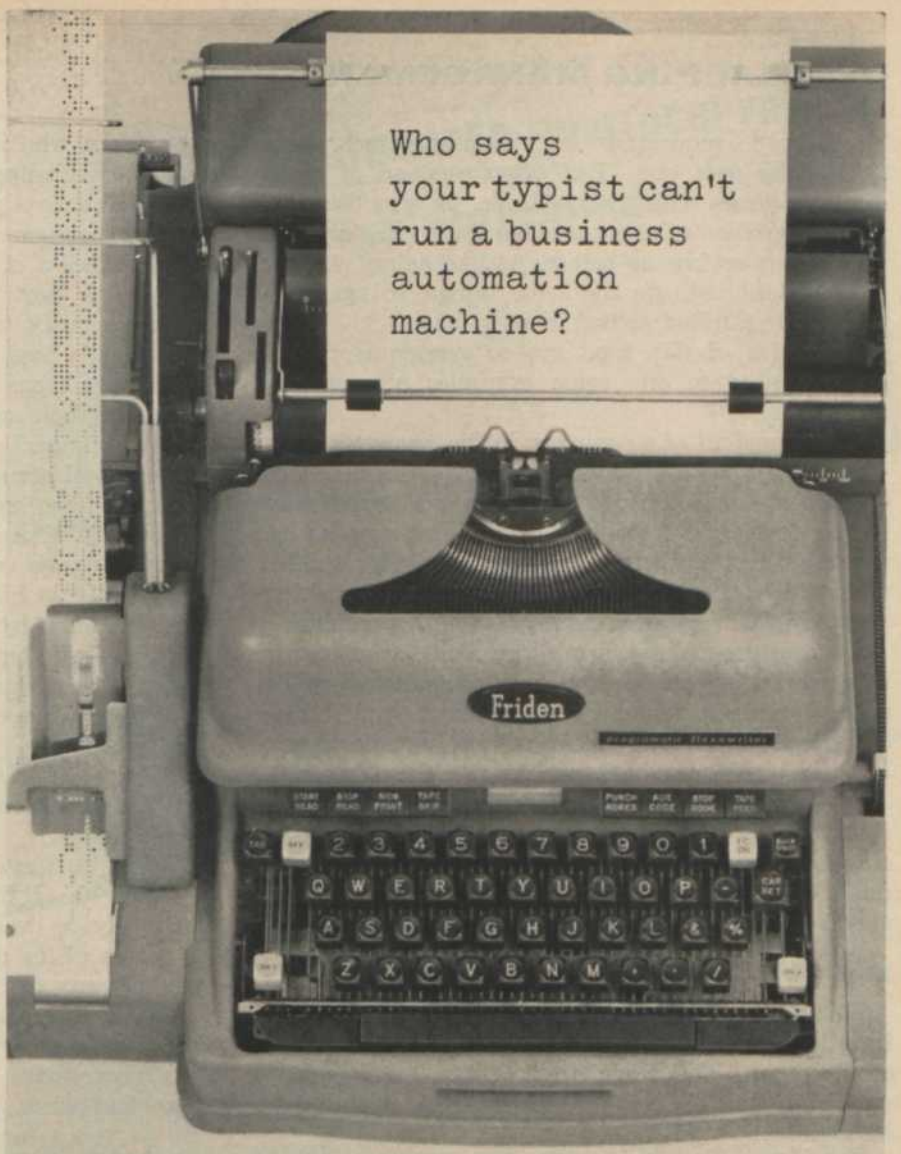
If your office staff is primarily engaged in preparing the same type of paperwork over and over, you definitely will profit from basic office automation. 90% of the typing and figuring of sales orders, invoices and purchase orders, for example, can be done *automatically* with basic automated equipment.

4. *Lack of information.*

As business gets more complex, management needs more and more information in order to make sound business judgments. If your management complains about the lack of summary and background data, you have a need for automated equipment. One of the major advantages of this equipment is that it prepares running totals and summaries of all the work it does—*as* it does it. It also changes individual work, like separate purchase orders, into a total purchase commitment analysis, *daily!*

What's the first step?

If you find you have a need for basic automation, speak to an expert on the subject: a Friden systems man. Or write to Friden, Inc., San Leandro, California.



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have been requesting an assistant for years. At last he gets one. But often, instead of really dividing duties with the new aide, he sees the same papers, handles as many problems, says yes or no to as many questions as before. As like as not, he and his assistant both do the same things, so again the work is multiplied rather than divided.

Examples of this kind are so numerous that it is heartening to cite some examples of men who avoid this.

The president of a company in the cryogenics field —the use of supercold to create new scientific effects —began as a scientist. He personally developed many of the devices his company makes. But now he has put the direction of the research staff under another technical man to avoid intimidating the other scientists with his reputation and prestige as president.

A furniture-making firm's president, who started as a marketing specialist, is careful about leaving his sales department alone. Knowing that he might have a tendency to meddle and to coddle the sales managers, he bends over backward to give them free rein.

"I look only at the results, and no more often than once a month," he says. "As long as those results look O.K., I seldom make a suggestion. I don't want the department planning sales campaigns aimed only at pleasing me."

Less work—more vigor

Eliminating double management not only gives time to get more done; it also steps up the quality of the work. The worst thing about leaving extra people in any channel of effort is that they dilute its vigor.

Take the case of a small drug company whose chief executive sees all advance copy for ads, catalogs, labels—all printed matter. He tends, as anyone does who is given material to pass on, to look for little changes he can make.

Each time a piece of copy goes back to the advertising manager with suggestions from the president, it becomes a challenge—something for him to try to avoid the next time. So on each piece of work he unconsciously tries to produce something that will get by his boss, rather than a really superior layout. The boss keeps the contest going by looking for passages that he can pencil-mark.

It is natural and inevitable that superfluous operations will accumulate in every company. They cannot be kept out on a week-to-week basis. What's needed is a periodic housecleaning—once or twice a year. Anyone can accomplish part of the job independently in his own area, although the best results are obtained by a company-wide drive.

The first step is to ask, "Why do we do this?" about everything that is done for an entire week:

Why do I see this report? What do I do with the information?

Why is this problem brought to my attention?

Why can't my assistant make these minor decisions alone?

Why do I attend this meeting?

Why do I have to review this weekly? Would monthly or even quarterly be enough?

Some of the duplicate management that is spotted in this way can be ended at once.

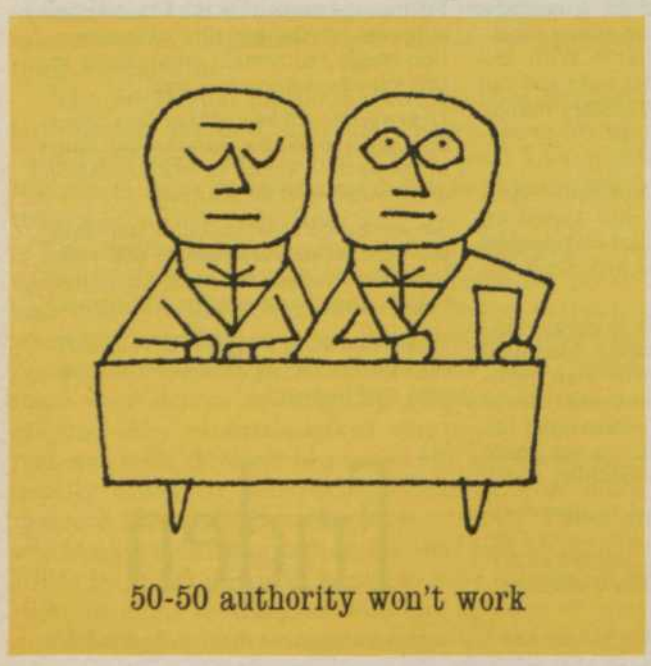
Even the cases that are not so easily settled can be improved by applying these three principles:

1. Where extra hands are involved because a special problem exists, be sure everyone knows that the goal is to set a new operating routine and then leave things in the hands of the man responsible. Make a careful distinction between this temporary period of consultation and the single responsibility that is to exist thereafter.
2. Where people with related functions must take a permanent interest in an operation, make it clear which person is to do it and which others are only to check on results or keep generally familiar.
3. Once responsibility is assigned to a man, only the results should be watched, not how he operates. The less interference and the fewer suggestions, the better.

For many companies, these basic simplifications can have a dynamic effect. Good managers who want to stand on their own are allowed to; men who have been avoiding it are encouraged to be independent.

Even in firms relatively free of duplicate management, the periodic checkup will always leave a cleaner and trimmer organization—more things getting done with less clutter. And that, in its way, is as much a part of staying competitive as introducing electronic data processing and automation.

—CHARLES A. CERAMI



50-50 authority won't work

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SPACE RACE

continued from page 33

The NASA office of industrial applications, aided by an advisory committee of research officials from private industry, currently has two surveys under way, one by the Midwest Research Institute to promote commercial and industrial use of space-program "fallout" by industry in a six-state area.

Simultaneously, officials at all NASA installations have been alerted to examine developments they are handling in a new light—a view toward commercial use.

Contracts for research and development may be changed to reflect the new emphasis on industrial application, NASA lawyers say. This could mean new reporting requirements for techniques, as opposed to patentable innovations, disclosed in the course of development. This could encounter resistance from industry.

Critics of the conduct of the current space effort, but who do not question the urgency of its goals, include Sen. William Proxmire of Wisconsin. He views the availability of skilled scientists and engineers in research and development as a crucial "bottleneck."

"It's important to be first on the moon," he told NATION'S BUSINESS, but not at the cost of billions in wasted dollars and a consequent short-changing of defense and civilian needs such as education.

Top to bottom concern over proposed federal subsidies to education is voiced by outgoing U. S. commissioner and local school board members. Views of both are on **pages 34 and 35**

Others say that there are only about 400,000 qualified research and development specialists in the nation today. Roughly 50,000 to 60,000 are involved in NASA-sponsored work, says the agency, which expects to absorb up to 75,000 by the end of the decade.

Students of the space program question whether the technology it produces will benefit the economy to the extent claimed without a major reallocation of resources to permit wide-scale innovation undertaken with the civilian needs uppermost in mind, diffused rapidly throughout the economy—especially to the fragmented industries that lack both the resources and awareness of the benefits to undertake the work themselves.

The Commerce Department is backing a program to broaden the technical base for the construction and textile industries and stimulate the use of technical resources of universities in bringing new technology to industry, and is cooperating in the effort to translate NASA-developed material into useful knowledge for industry.

Heading the work is J. Herbert Hollomon, Assistant Secretary for Science and Technology, formerly general manager of General Electric's General Engineering Laboratory and chairman of the Engineering Research Committee of the Engineers Joint Council.

He calls the creation of the best environment for use of scientific and technical resources for civilian needs a "serious concern for government and business."

"It's in fact the problem of our time," says Dr. Hollomon.

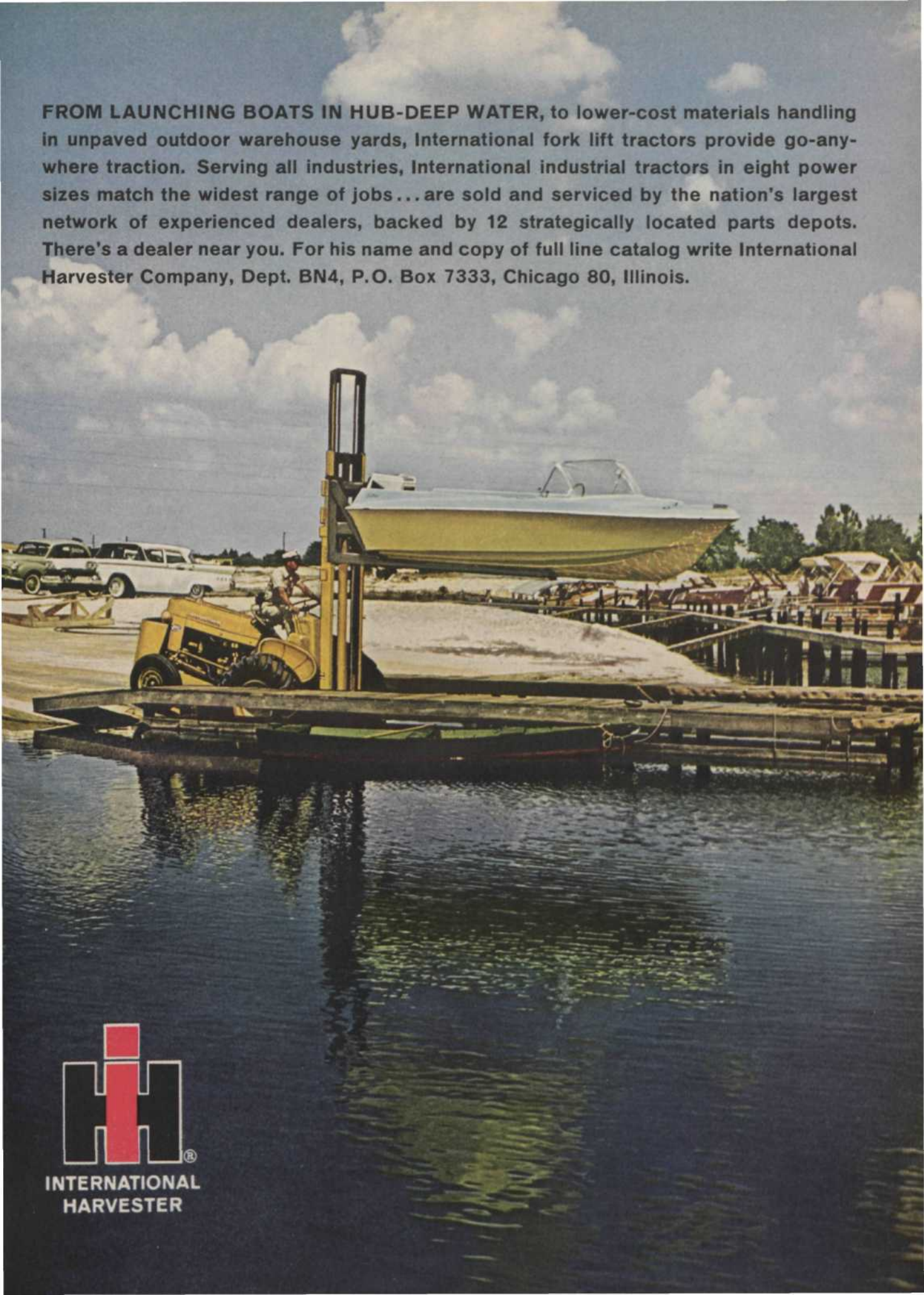
As the Commission on Money and Credit noted in its report: "In many industries much more research could profitably be directed to reducing the gap between existing scientific knowledge and its application to production processes."

At the same time, Dr. Harris says, "A large fraction of our technical literature resources are under federal government control."

A number of suggestions for improvements comes from Dr. Herbert E. Striner, an economist with the Stanford Research Institute, who, while a staff member of the Brookings Institution, contributed to a series of proposals for studying the implications of peaceful space activities for NASA.

First, he told NATION'S BUSINESS, there should be an exhaustive survey of career opportunities in nonspace activities to counter the drain on technical talent from the traditional scientific fields.

"Never before in peacetime have we spent so much money when so few fundamental questions have been raised," he says, and proceeds to raise several. "The space agency is going into regional development,



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SPACE RACE

continued

creating new economies that go far beyond anything we've ever done before," he says. "They are likely to be one-product economies."

The agency should consult with local business leaders, state economic development officials and others before selecting a site so as to increase to the maximum the stimulation of the local economy that could result from the accompanying improvement in highways, water resources, railroad spurs and the like. "This is not being done."

"We want to make these investments so we minimize future dislocations," he adds. The goal should be to stimulate the development of a local economy that would remain viable if the NASA facility shut down because of shifting requirements for testing and developing new space hardware.

"We are not in the business of developing regions," is the official NASA reply, according to Dr. Striner.

The agency's policy of limiting immensely expensive research projects to strictly space-oriented goals is criticized by Dr. Striner as shortsighted and wasteful in terms of returns to the economy.

"They're looking for the stuff after it happens," he says, referring to the "fallout" or "spin-off" NASA officials speak of. "NASA should be permitted to build in this 'fallout.'"

If $1 billion is estimated to cover the cost of a given research project, he asks, and $1.2 billion could include related work that could yield vast returns in meeting an industrial need, wouldn't it make more sense to spend the $1.2 billion?

This would require a greater voice for industry in the planning, he says, rather than some government official's idea of what might be useful. "How does he know what industry needs?" asks Dr. Striner, adding that the latter approach seems one drawback of the industrial applications program.

A computer-equipped information retrieval system has been set up by NASA in an effort to make material available to interested industries. But Dr. Striner doubts that anything short of much closer government-industry cooperation can even identify developments for potential users.

"They have not gotten into that fundamental problem of communication," he declares. **END**

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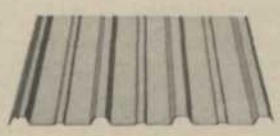


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FEDERAL AID

continued from page 34

freedoms that are precious to our people. The people must make sure that they take no action that would adversely affect state control of our schools. It is the states, you know, that control our schools, not the local communities.

The states working with local school boards?

Any state legislature that wants to can assume the control of local schools.

The state delegates the control of them to the local school boards, because our Constitution gives the states authority to control education, and that does not necessarily mean that it's left up to the local school boards.

The school boards have control by virtue of the fact that state government gives it to them. They give it to them and can take it away, but the federal government cannot take it away from the states.

Would you prefer to see the real educational needs met by state action rather than by federal action?

Yes. I would say that if the states could and would meet the needs of their schools independent of action by the federal government this would be highly desirable.

I think there are many things that the states could do that they are not doing and that the federal government is, in all likelihood, going to get into simply as a result of default by the states. There are other things that I think the states are unable to do.

What are some examples of areas where there is a risk of states losing by default?

I think there are states that could, if they would, provide much better for teachers' salaries and the construction needs of higher education. I don't think there is any question about that.

As far as private institutions are concerned, this is a little more difficult to get at, but certainly through private donations, private subscription, and private effort, such schools could be financed in many instances better than they now are.

The plain facts are that we face a problem of great national import in seeing to it that these institutions move ahead.

It goes without saying that if through state, local, and private effort we satisfied local school needs, there wouldn't be bills before Congress designed for these purposes.

If the states were more vigorous in their efforts could they head off recourse to aid from Washington?

Without any question.

Let me give you a few other examples.

The construction of buildings is the kind of thing that obviously, in principle, a state can do.

I think there are other things that we might not so readily recognize as falling within the capacity or the immediate responsibility of a state. Let me give you what I recognize as an extreme but very real example.

Under the National Defense Education Act, funds are provided for the Office of Education to finance research in the methods and techniques for teaching uncommon modern languages. At the present time the Office is financing research. The research is not done within the Office of Education or within the government; it is done in educational institutions.

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FEDERAL AID

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gress as in the national interest that we know how most effectively to teach such languages as Urdu. It is in the national interest that Urdu be taught somewhere, so that some Americans become proficient in this language for political reasons and for economic and commercial reasons, as well as for general cultural reasons.

Now, one cannot say that it is the responsibility of the State of Nevada to make sure that some research is done in the teaching of Urdu or to make sure that Urdu is taught, nor is it the responsibility of the University of Chicago to see that Urdu is taught, or any other private institution; but I think most people would be willing to recognize that it is in the national interest.

Are there other examples?

Take another case, this one from the National Science Foundation: the problem of upgrading the teaching of physics in America's secondary schools.

Large numbers of our high school physics teachers, up until the end of World War II, would not have known enough physics to teach the subject the way we now must have it taught. Moreover, properly updated teaching materials have not existed until recently.

In the past it was common for high school physics texts to be written by people who were not necessarily first-rate. They depended on other physics texts, and so on.

Now, the National Science Foundation has invested about $6 million to upgrade and update the materials for teaching high school physics. This project has involved some of the highest level talent in the field of physics in the nation.

Dr. Jerrold Zacharias, director of the project, who is a professor of physics at the Massachusetts Institute of Technology and a member of the President's Scientific Advisory Committee, told me a while ago that he had several Nobel prize winners working—I think it was for two days—on two pages of this book, to see what they could do about improving certain passages and the technique by which the ideas were being presented.

Now, my point is that this is a high-level operation. It is already in the process of transforming the teaching of physics in American high schools. Institutes have been



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established by the National Science Foundation for physics teachers as well as other science teachers.

Who has Nobel prize winners to invest in the writing of a high school physics text? Who is in a position to get them? Who is in a position to invest $5 million or $6 million in the improvement of high school physics materials? Who is in a position to develop what I have seen in Cambridge, Mass.—a moving picture laboratory developed to make films for physics instruction in high schools? This takes money. It takes talent.

There is no school system in the United States that has access to that amount of money or that amount of brains for this particular purpose.

Are the resources entirely lacking?

Now, one might say, "Well, the states can do it." You may have three or four states that can pull off a thing like that—let's say California, New York, Pennsylvania, or Illinois—but no state is likely to be able to do that kind of a job for physics and to do it also for mathematics.

In order to invest that kind of talent, that kind of energy, and that kind of money, which is needed for the upgrading of the teaching of science in the high schools of America, you are going to have to have either something like a big foundation pouring in millions, or the federal government. You can't expect a single university to do it. You can't expect a single state to do it. Most of the states could not do it. They could not even command the talent for it in some instances if they had the money.

Here I am making an argument for a federal investment in education quite independent of the problem of buildings and teachers' pay, which the states could handle in most cases if they would restructure their tax systems and fully dedicate themselves to the task. The states could not have done this job.

Aren't there areas where improvements could be achieved by private organizations or combinations of states or individual institutions rather than the federal government?

This is certainly the case.

I am not suggesting that this sort of thing should be done only by the federal government or that in



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principle it could be done only by the federal government. But it has already been done in certain areas with considerable success by the federal government, without enormous outlays of money when you think in terms of typical federal expenditures.

Let me give you another example. At the past session Congress appropriated a million and a half dollars to be spent by the Commissioner of Education for the purpose of increasing the number of people qualified to teach the deaf and for the purpose of upgrading the quality of programs for teaching the deaf.

Now, this money has been put out to the states. Mind you, all of this is done outside the federal government. Every cent of that money is being spent on the advice of a committee composed of people from outside the government, so it is not a matter of the Commissioner of Education or the people in the bureaucracy making the decisions. I have acted in accordance with recommendations from the committee authorized by Congress and drawn from the outside.

What has resulted?

A million and a half dollars spent in this way through an agency of the federal government is going to pay off in much more handsome dividends for the nation as a whole than the same million and a half dollars either raised federally and just put out there to be spent without this kind of national planning or the same money raised locally and spent.

I am not trying to use this as an argument that everything must be done by the federal government. It shouldn't be. What I am trying to show is that some specialized things actually can be done better when you take the nation as a whole and do it for the nation as a whole.

Take another example, the case of money for loans for college students under the National Defense Education Act. This has very clearly shown that federal money can, when managed for certain purposes in an effective way, attract more money from other sources.

Many of the most conservative of senators and congressmen favor that particular program. The result of that has been to attract more money to be made available for students to borrow.

As a matter of fact, the idea that students can borrow money and pay it back after they are out of school has caught on with businessmen and with banks all over the country, in part through the success of the loan program under NDEA. It is an example of money attracting more money. This is one of the best arguments in favor of federal money for specific purposes.

There is no disposition, that I can see, on the part of the National Science Foundation in the case of the Zacharias physics project to say, "This is the physics course that should be used in every American high school." It would be a great mistake to have a national curriculum and national materials standardized across the nation.

Then you are making a distinction between what you consider to be matters of national action and what can be handled best by the states and localities?

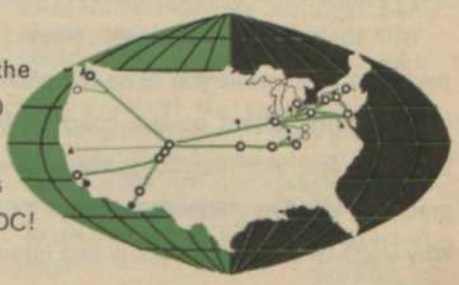
I say some things the federal government is likely to do in the future will be done only because the local communities and states and private interests have failed to do them. If they had done them there would be no point whatsoever in the federal government doing them. Whether they can or cannot do them is another matter. In many cases they certainly can do them;



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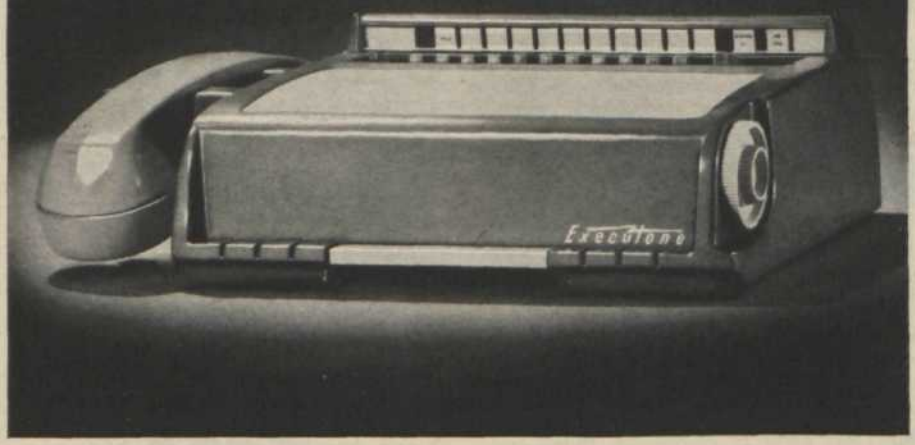
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FEDERAL AID

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they just don't. In some cases they can or could if they would revamp their tax structures.

The problem is in part taking another look at the tax structure and seeing whether there is some better way of financing the schools or a supplementary way of financing the schools.

So your message to proponents of local action would be: "Get more active"?

Not only that. I would say that everything that can be done locally and by the states for education, or by private enterprise for education, should be done by them, and they should not assume that they should default to Washington.

Have some people been pushing federal aid schemes too fast?

I think that there is all too often a tendency to feel, "Well, let's turn it over to the federal government." I think that there is all too often a failure to assume the initiative and to commit the energies to a task that a community or a state should be willing to commit.

In principle at least, the building of classrooms and the paying of teachers' salaries is not something that should require federal action. Now, there could be exceptions, as for instance a building for ROTC's, where the states are putting out the money for federal activities for a special purpose related to the national interest.

It is also a national responsibility to guarantee the security of the nation and high quality for our national culture. But I certainly don't think that it is a good thing for the nation, for the states, or private individuals or private enterprise or local communities to defer to the federal government for financing just because they think the federal government will come through with the money in some way or another and it is going to be cheaper for them. After all, the money dispensed from Washington has to come first from the states.

What can those who would like to see general federal aid to education forestalled do to prevent it?

Those who oppose general aid to education from the federal government would do well to work overtime to see that the schools are financed better from state and local sources. **END**

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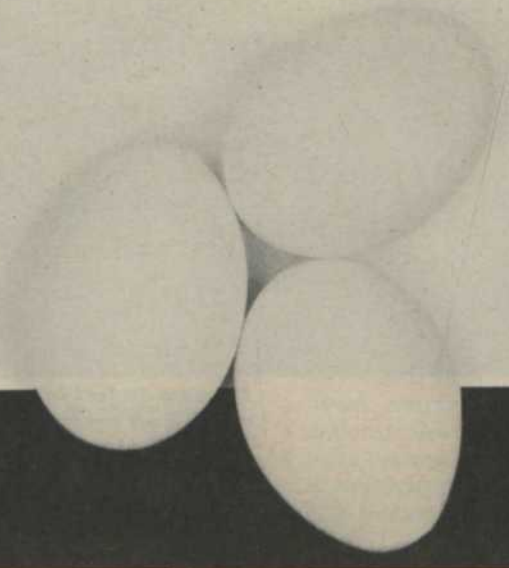
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YOUR WORDS TELL WHAT YOU ARE

Researchers find clues to leadership potential in the way some people talk

YOU CAN ADD a new combination of traits to the list generally recommended for identifying leaders.

While there is no sure-fire way to spot leaders, research indicates a person who talks a lot and spices his conversation with wit is likely to be a potential leader.

A study by Dr. Henry W. Riecken, now at the National Science Foundation, shows that a talkative person's colleagues are more impressed by his contributions than by those of a more quiet person, even though the latter's recommendations may eventually win out.

It is probably not the superiority of the talker's intelligence, information, or opinions, nor even his fluency or skill in persuasion that lead others to feel he contributed most to the solution, says Dr. Riecken. Rather, he seems to have influence simply because he is the most talkative.

Talkative men seem to get their ideas accepted not because they encounter less opposition, but because they are more able to win attention and support.

When a highly talkative person fails to get his idea accepted, according to the study, it is probably because he is not convinced of its value and does not advocate it strongly. A less talkative person generally must have the support of a more talkative one to sell his ideas.

A study by Dr. Andie L. Knutson of the University of California shows that a group made up of quiet people can't get anywhere until somebody speaks up, and thus becomes the leader.

But when this happens, according to his studies, the performance of quiet groups is generally better than that of more talkative ones.

"The vocal group," Dr. Knutson said, "had an abundance of members with verbal leadership qualities but seemed to lack members able and willing to perform other leadership roles. Verbal fluency seemed to be identified as the sole mark of leadership. . . .

"The retiring members comprising the quiet group needed a leader capable of eliciting their ideas without threat and helping them to move with security. The fast-speaking members of the vocal group needed a leader who could hold them back until sound decisions were reached, help them to evaluate progress and make necessary changes in plans, coordinate ideas and findings, and make sure that an integrated product resulted."

"You have to maintain a group as you would a machine," Dr. Riecken says. "One thing a leader must do is give quiet people a chance to say something when they have something to contribute. He must train himself to be quiet at times and bring out the people who don't have much to say, give them a fair hearing, use his resources fully."

The relation between wit and successful leadership is indicated in research by the Matrix Corporation for the Air Force Office of Scientific Research.

Studies by Dr. Ewart E. Smith and Dr. Jacqueline D. Goodchilds suggest that wits are more self-confident, active, independent, and influential on their colleagues than nonwits.

"The common laughter following a witticism," they report, "demonstrates to all that none was alone in his feelings and insecurity, and all are now in agreement.

"This reduction in the unknown quality of a situation, a probable result of witticisms, should produce increased efficiency as the negative effects of ambiguity and uncertainty on group performance have been demonstrated.

"In addition to the benefits to

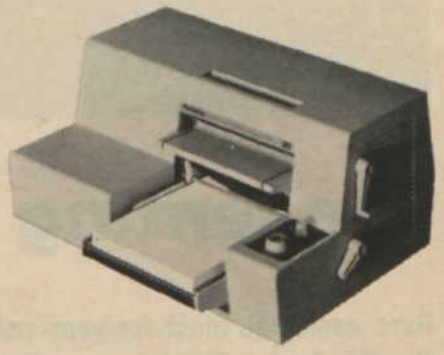
(continued on page 108)

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YOUR WORDS TELL

continued

both the wit and the listeners which follow from the situation clarification and tension reduction produced by the joke itself, the wit achieves status by the telling of successful jokes. This reinforces his positive self-perception and witty behavior.

"It is interesting to note that it is only the use of witticisms by those who believe in their use which appears to improve the morale and efficiency of groups.

"It appears that the use of witticisms accidentally or in an undirected manner is not sufficient to offset the effects of stress."

Until now, there has been little research on the function of humor and the role of wit in groups under stress. This is surprising in view of the frequency in fiction of the wit whose devastating remarks help his group regain its optimism, energy and morale in the face of stress—and go on to win the lawsuit, wipe out an enemy machine gun nest or score a last-minute winning touchdown.

The Matrix scientists define a wit as anyone who makes his colleagues laugh.

Among their findings:

A test of supervisors in a large plant showed that wits took on more work than others. The wits saw themselves the same way.

Others chose wits as those from whom they would obtain advice and with whom they would enjoy spending time.

While the combination of loquaciousness and humor may well be a worthwhile clue in the puzzle of selecting leaders, Dr. Douglas McGregor of Massachusetts Institute of Technology notes in "The Human Side of Management" that, "Successful leadership is not dependent on the possession of a single universal pattern of inborn traits and abilities.

"It seems likely that leadership potential—considering the tremendous variety of situations for which leadership is required—is broadly rather than narrowly distributed in the population.

"Research findings to date suggest that it is more fruitful to consider leadership as a relationship between the leader and the situation than as a universal pattern of characteristics possessed by certain people. The differences in requirements for successful leadership in different situations are more striking than the similarities." **END**

SCHOOL BOARDS

continued from page 35

plied to seven key questions in the NATION'S BUSINESS survey:

Local support ample

1. Is federal aid needed in your community?

Board member after board member replied that in his district the citizens have responded magnificently whenever the need for additional funds has been adequately presented to them. They add that they have no reason to believe that citizens will not continue to do so in the future.

Since the end of World War II a tremendous resurgence of citizen interest has paid off in tens of thousands of new school buildings, increased salary schedules, thousands of district consolidations, higher standards. These improvements have resulted from voluntary, local and state action.

For example, J. P. Arceneaux, of Carencro, La., president of the State School Boards Association, reports that the people in his county have recently approved a $2 million bond issue for construction and a $5 million tax for operation and maintenance.

Charles F. Bragg II, a nine-year member of the Bangor, Me., School Committee, says: "With the state program of a graduated scale of assistance, even the smaller communities seem to be meeting their problems adequately."

William P. Elser, vice president of the San Diego, Calif., Board of Education—one of the largest in the nation, with a budget of just over $58 million—sees no apparent need for federal aid there.

Evidence of controls

2. What relationship do you see between federal funds and federal control?

"Our American tradition," says Attorney Julius Goldstein, vice president of the Kenosha, Wis., Board of Education, "puts control of public education in the states and through the states in local boards of education. I believe in this tradition and would not like to see this system changed. There is a strong fear that federal funds mean federal control. This fear is implemented by experience with federal funds now being transmitted under the NDEA program."

Board members point out that experience has taught them that federal financing and federal control go hand-in-hand—and justly so.

"I can think of no matching federal funds program in which federal money is used that does not have some restrictions and standards set up by government bureaus," says Mrs. Bess R. Reed, serving her nineteenth year on the Missoula, Mont., Elementary School Board. "Rightfully, this should be necessary. What bank, loan, bonding or finance company would lend money promiscuously without some say or knowledge as to how it should be spent or is being spent? Some restraint must govern."

Mr. Elser comments on this:

"Several aid laws have given authority to a federal agency to approve a plan under which a state can receive the appropriated funds. This endows control authority to a federal administrative officer or agency. This school district has not accepted NDEA funds for school counseling because the conditions imposed by the approved state plan were unacceptable to the district officers.

"The district also found that the requirements to be met in order to obtain the school lunch subsidy

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SCHOOL BOARDS

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were such that it was more profitable not to accept the subsidy than it was to accept it. The required servings were more than small children could eat so the subsidy resulted in waste and loss. The cafeteria account balance was improved by many thousands of dollars after the subsidy was dropped."

The opinion of the majority of those surveyed by NATION'S BUSINESS is summed up by Edward C. Ames of Toledo, Ohio, a member of the Ohio State Board of Education: "Many who advocate federal aid openly contend that local boards of education are incompetent to exercise the authority with which they are vested, and that their decision-making powers should be reduced or abrogated. They are saying that the interests of the individual and of the community must be submerged to protect and secure the development of the nation's human resources.

"The federal government has the power to change the course of American education and has done so twice in the last century.

"The land-grant college program, built on the Morrill Act, completely changed the course of higher education in this country. Similarly, the Vocational Education Acts have redirected secondary education. The more recent NDEA has virtually dictated what the emphasis in our secondary schools shall be.

"Anyone who asserts that those programs illustrate federal assistance without federal control is indulging in wishful thinking. Any level of government that defines its functions and taxes you to pay for those functions would be grossly inept and, in fact, bad government, if it were not strictly accountable for the manner in which it provided those functions and spent your tax dollars."

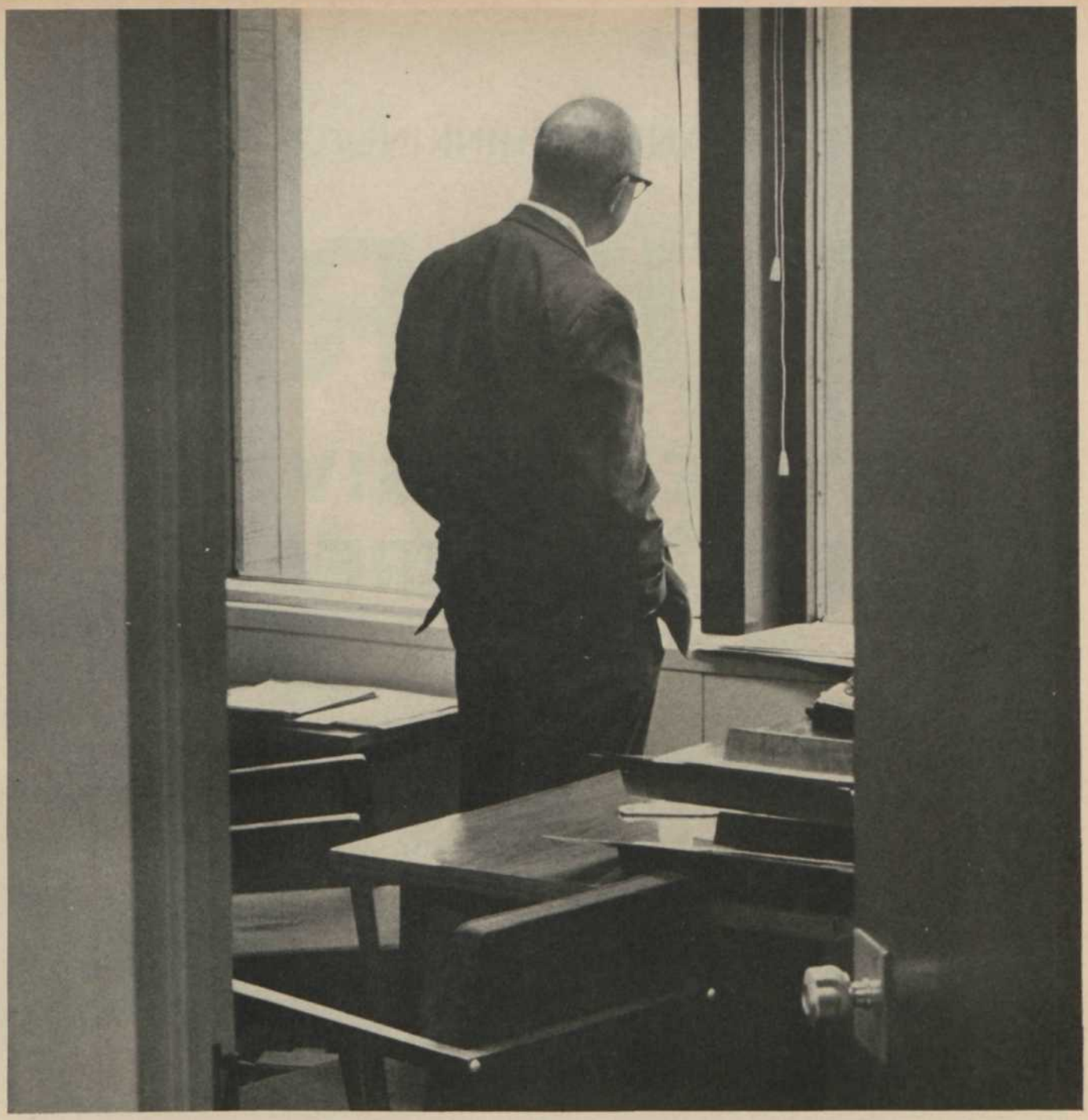
Fewer dollars come back

3. Is federal aid economic or uneconomic?

Forty federal agencies are already involved in education. Dr. Herold C. Hunt of Harvard University estimates the federal government annually appropriates nearly $2 billion for 300 education programs.

Typical responses from board members are:

Attorney Goldstein: "The use of the word 'aid' suggests paternalism,



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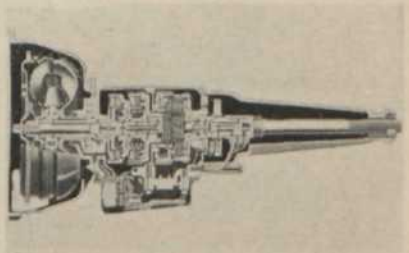
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As a result, the peripheral areas have themselves become a vast, significant supplementary market. In 15 of the top markets, the metropolitan areas account for $46 billion in "value added by manufacture"; the peripheral markets around these 15 areas account for an added $17 billion in value added, or 33% additional manufacturing volume.

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and unfortunately suggests to many people that getting federal funds is like getting a free lunch; that is, something for nothing. The administration of the transfer of federal funds to the states for specific purposes is inherently costly and uneconomic. Obviously there must be handling at all stops and valves in the pipeline, with administrators, directors, office staffs, and so forth, making this administration unnecessarily costly."

Adolfo de Urioste, commissioner for nine years of the San Francisco, Calif., Board of Education: "The administrative machinery which would be required to set up a federal aid program would in and by itself be an additional tax burden."

Mrs. Dorothy F. Bush, president of the Wyoming School Boards Association: "I have never known federal participation to be an economic method of handling anything. More of our tax monies should be held within the states and distributed by our state governments. The administration of such funds would be far less costly, freeing more money for our schools."

Downey M. Gray, Jr., chairman of the Jefferson, Ky., County Board of Education: "I do not think it would be possible to get back one dollar for every dollar that goes to Washington. If we get back 80 cents from every tax dollar, we will be doing quite well."

Attorney Robert A. Manchester of Youngstown, Ohio, member of the Ohio State Board of Education: "We estimate that the cost of collection and disbursement and distribution of aid from our area to other areas taken together would mean that we would contribute some $3 to $4 for every $1 we would get in return. The cost of collection would be out of proportion to the service rendered and, in addition, the funds would be returned with federal controls added."

James T. Mayne, member of a Phoenix, Ariz., school district board of trustees: "When the dollar originally collected in Arizona returns to Arizona, it has been reduced to a value much less than the original 100 cents. In fact, we, in Arizona, would only receive 64 cents for the original dollar."

George C. Guthrie of San Antonio, president of the Texas Association of School Boards: "The best answer is an example. The San Antonio Independent School District, according to a recently adopted 1962-63 budget, has allocated $11,800 to assess and collect $5,316,491 in taxes. Anyone familiar with federal agencies is aware that they could not duplicate this feat. The net amount of tax monies derived are used 100 per cent by our local board without any interference from Washington nor are we subjected to the whims of Congress."

Decisions from Washington

4. What effect would federal aid have on local action and responsibility?

The consensus: Our children and their education are a local responsibility; the probability is that federal aid would atrophy local effort and voluntary action; parents would find that, instead of a local school board or state legislature responding to their wishes, many decisions would be made in Washington.

"Our society," says Mr. Guthrie, "is fast becoming a congregation of parasites living upon the generosity of various governmental agencies. Local school boards would, in time, become dormant leeches content to set aside our responsibilities and derive our means of existence from federal sources."

Attorney Carl B. Munck, 20-year member of the Boards of Education of the Oakland, Calif., Unified School District and past president of the National School Board Association, says:

"Activities and programs for which federal aid is available are often taken and accepted because of the dollars involved and not the value of the program.

"Many, but not most, citizens see 'free' money and embark on activities which they would otherwise feel were either not proper nor necessary in the local district.

"Doing so, or having done so, as a result of pressures to accept available funds, often results in a failure to take other steps to meet educational needs and a responsibility for having accepted and used funds is then disclaimed on the ground that the federal government has required their expenditure as used.

"Various pressure groups commence to have vested interests in certain programs which are so developed through federal aid, and local needs and responsibility, as a result, are either unmet or neglected."

States lose money

5. Would federal aid penalize states and areas that are doing a

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good job? The majority see it this way: Just as our present income tax law has the effect of leveling to the detriment of the ambitious, so would state educational standards be leveled in favor of those which should be making a greater effort.

"Federal aid," says D. O. Coolidge, president of the McCook, Nebr., Board of Education, "would tend to average education to a national standard which would be below what is now provided in some areas where more than adequate education is given our youth. We feel that our local district is doing just that and is constantly striving to improve."

About 17 states would pay considerably more in federal taxes for such a program than they would receive.

For example, New York, according to The Citizens Public Expenditure Survey, Inc., would suffer a net loss of more than $51 million in 1962-63 under the Administration's program. About $38 million would be allocated to New York, but New York would pay $89 million in federal taxes toward supporting the program.

Criticism limited

6. Is federal aid wanted in your community?

From north, east, south and west, boardmen report little demand in their communities for federal money.

Numerous school boards have officially expressed opposition to federal aid. S. A. Bosie, member of the Salem, Ore., board, reports that when his board did so, board members received much more commendation than complaint from local citizens. Mr. Elser reports that the San Diego Board received no criticism for rejecting NDEA and school lunch programs.

Mrs. Reed, a former president of the Montana Congress of Parents and Teachers, estimates that her state would not favor extension or expansion of federal aid, except in the case of federally crowded areas or emergency. The voting public, she finds, is becoming increasingly more conservative and tax-conscious.

Attorney Glendon C. Hodson, member of a Centralia, Ill., board, says that "For the most part the people here would rather look after their own affairs without the possibility of federal hindrance."

How to pay the bills

7. Are there better ways to finance education than by federal aid?

Most board members replied that states and communities should and can accept responsibility for financing schools.

They concur with Charles D. Gregg, member of a Sioux Falls, S. D., independent district school board, that "Any method of financing education which properly spreads the burden of taxation is preferable to federal aid."

Board members offer a variety of methods for increasing school revenues through better tax collection and broadening tax bases.

"We have met our problems in the past and feel positive we can meet them in the future," says C. N. Dellinger, Jr., vice president of the Lebanon, Pa., board.

"It isn't always easy nor is it necessarily the way we have done it in the past, but we are willing and have increased salaries and facilities and our program as required and have projected plans without anticipation of any federal or necessarily any increased state aid."

There's widespread support for a resolution sponsored by Ohio legislator Robert A. Taft, Jr. His resolution, passed by the Ohio House of Representatives and recommended by the Senate Education and Welfare Committee, requests Congress to return to the state one per cent of the federal income taxes collected in the state. This money would be used for education without federal control.

The California School Boards Association points out that, if the federal aid lobby is sincere in its desire to help schools, one would expect that it would be prominent in support of Mr. Taft's proposal rather than attempting to direct the course of policies.

"There are alternatives to the solution of nearly every problem," says Mr. Boise, "but the staunch proponents of federal aid do not tell us this.

"One of the simplest and least costly would be for each state to retain a percentage of the income taxes that are annually paid to the Treasury of the United States.

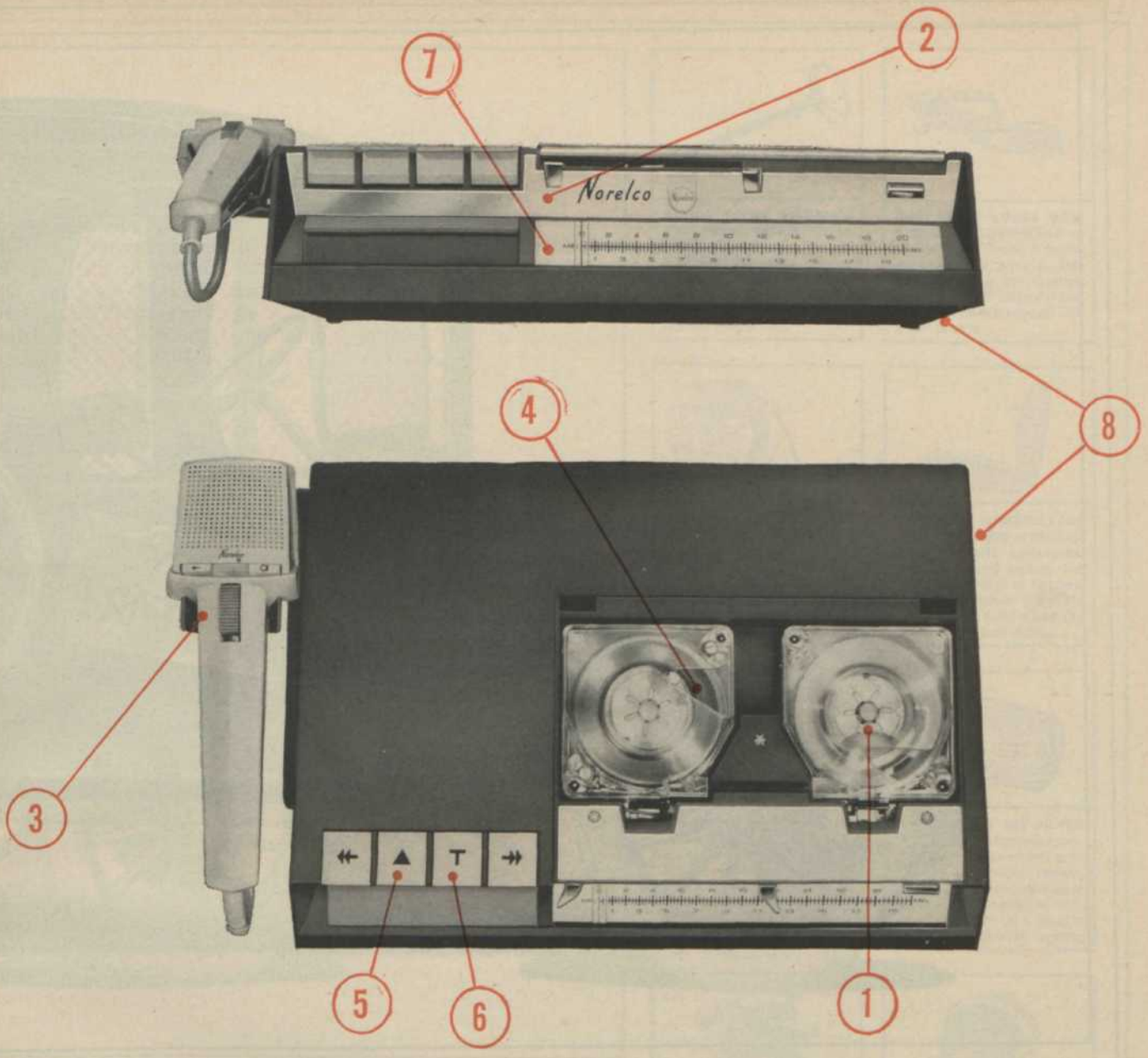
"A credit of just five per cent would result in an additional $30 million being made available for education in Oregon. This would require no additional government bureau, or further centralization of power in Washington.

"I fail to see how we can defeat an insidious ideology by adopting its methods—such as centralizing decisions in an all-powerful government.

"I believe that the American people are more interested in improving an already high educational standard through traditional methods than in becoming highly educated robots for the benefit of the state. We should be just as interested in maintaining our freedom as we are in improving our educational standards." **END**

REPRINTS *combining "School Boards Insist: No Need for Aid" and "Federal Aid Could Be Disastrous" may be obtained for 20 cents a copy or $12 per 100 postpaid from Nation's Business, 1615 H St., N.W., Washington 6, D.C. Please enclose remittance.*





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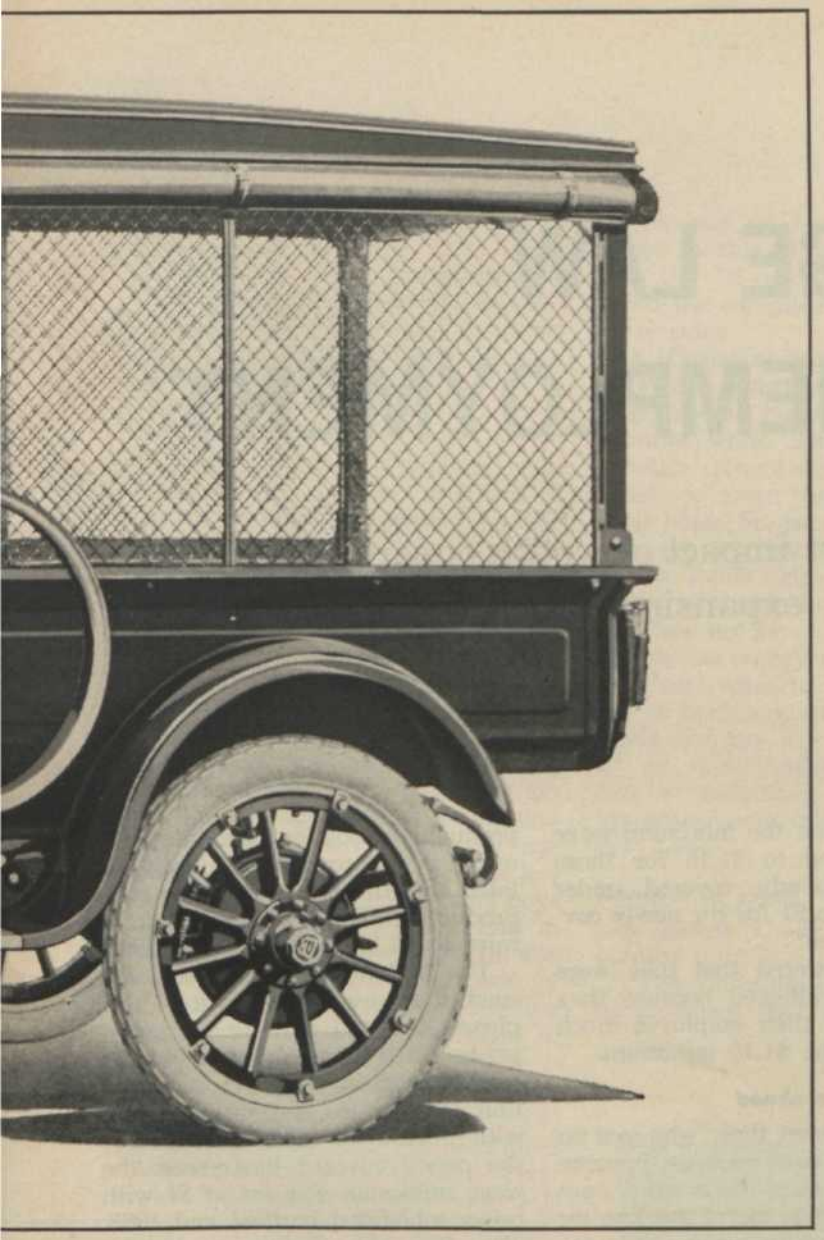
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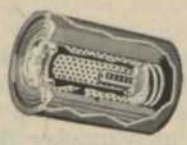
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WAGE LAW BOOSTS UNEMPLOYMENT

Business executives report impact on youth opportunities, profits, prices, training, expansion, and foreign trade

THE PRESENT federal wage law is running counter to President Kennedy's goal of getting the economy moving at a quicker pace.

A nationwide survey finds that the federal minimum wage, which was raised just a year ago, is:

- Forcing more unemployment among the youngest, the oldest and the least skilled workers.
- Making employers drop or cut back training programs.
- Encouraging price raises.
- Warping the values of some young workers.
- Causing businesses to postpone capital investment.
- Handicapping some companies in foreign trade.

At the same time, the Kennedy Administration has been pushing a variety of programs to promote more employment, capital investment, foreign trade and training and hiring of young workers. The President also has forcefully warned against price rises and wage increases not matched by higher productivity.

The latest increase in the minimum wage under the Fair Labor Standards Act has tended to thwart these major objectives of the Kennedy Administration. Or so businessmen report around the country.

In a survey, the Chamber of Commerce of the United States asked its members:

"What was the impact on your company when the minimum wage was increased to $1.15 for those employes already covered under the law, or to $1 for the newly covered employes?"

Many answered that they were not directly affected because they already paid their employes much more than the $1.15 minimum.

More trouble ahead

However, even those who saw no direct labor cost increase because of the new wage floor were sure that "somewhere along the line we may pay more for articles we purchase," as the president of a California machine company put it.

Many businessmen noted that they will be affected when the minimum goes to $1.25 next year. An Illinois cabinet manufacturer wrote: "We are deeply concerned with the ... $1.25 minimum. This increase will affect 80 per cent of our employes."

The federal wage-hour law was first enacted in 1938. Its original purpose was to eliminate from industries in interstate commerce "labor conditions detrimental to the maintenance of the minimum standards of living necessary for health, efficiency and general well-being of workers." The concept has been broadened considerably over the years.

The latest amendment, in 1961, raised from $1 to $1.15 the floor wage for employes engaged in or producing goods for interstate commerce or in occupations closely related and directly essential to such production. The law provides for a raise to $1.25 in September, 1963.

The 1961 amendment also broadened the coverage to include employes in retail and service enterprises with annual sales of $1 million and employes in construction and service station businesses with much lower sales volumes. For the newly covered businesses, the wage minimum was set at $1 with raises scheduled in 1964 and 1965. The law also requires overtime payment of time and a half.

Certain businesses, such as hotels, restaurants and theatres presently are exempt from the law. But hearings will probably be held this fall or after Congress convenes in January to broaden the minimum wage coverage to include these businesses.

The impact of minimum wage changes varies. But one effect particularly stood out in answer after answer in the survey: the prospect of narrowing job opportunities for the young and untrained.

Jobs for young people entering the work force are a matter of growing national concern. Because of the sharp rise in the birth rate in the mid-1940's the number of youngsters seeking jobs annually will soar from 2.6 million in 1960 to 3.8 million in 1965. That's an

increase of nearly 50 per cent in five years.

Moreover, the unemployment rate among teen-aged boys has averaged about 12 per cent in recent years, two to three times the rate for all jobless workers.

End of a tradition

Typical of the comments from businessmen on the problem of youth employment caused by the new wage law was this from the vice president of a Texas grocery chain:

"Our principal concern," he said, "is with the fact that we had to start paying very young employes the minimum of $1 per hour. Particularly in the smaller communities where we have stores, this minimum was out of all proportion to the earnings of other young employes and greatly increased our labor cost unfairly. We paid as low as 50 cents per hour for young boys in the small communities, and in all of our stores the average was something in the neighborhood of 75 cents per hour. These young people were suddenly increased to the $1 minimum.

"One of the unfortunate results was that, when we appraised the situation carefully, we concluded that we could not continue to employ boys under the age of 16 and pay them the minimum of $1 per hour.

"We regretted this decision very much because the traditional method for young people to learn business responsibilities is to go to work in grocery stores at a young age. We have usually employed them at the age of 14 to help out on Saturdays and after school hours. In many cases this was the first money the boys earned in business, and the disciplinary benefits to them of learning to work under supervision and with other workers was most valuable to them.

"We realize there are ways around these problems for young people by obtaining 'subminimum wage rate certificates' and meeting other rules established by the Labor Department. These regulations and rules, however, are more difficult to meet than the effort is worth, and we found it necessary to go to the $1 hourly minimum and the 16-year-age minimum to avoid the complications implicit in these rules."

A Kansas manufacturer wrote:

"Before enactment of the $1.15 wage law, we hired college boys for summer work. This helped them through school. Now, the extra (cost) is more than our profit on their labor. So, we simply advertise less, get less business, and do not hire so much help.

"So who gets hurt? The college boy has no job . . . So Kennedy spends tax money to help (the college boy) when he is perfectly willing to help himself. We make less profit and pay less tax. It all adds up to more national debt, more loss of individual freedom, more big government interference in private lives."

Conflict of goals

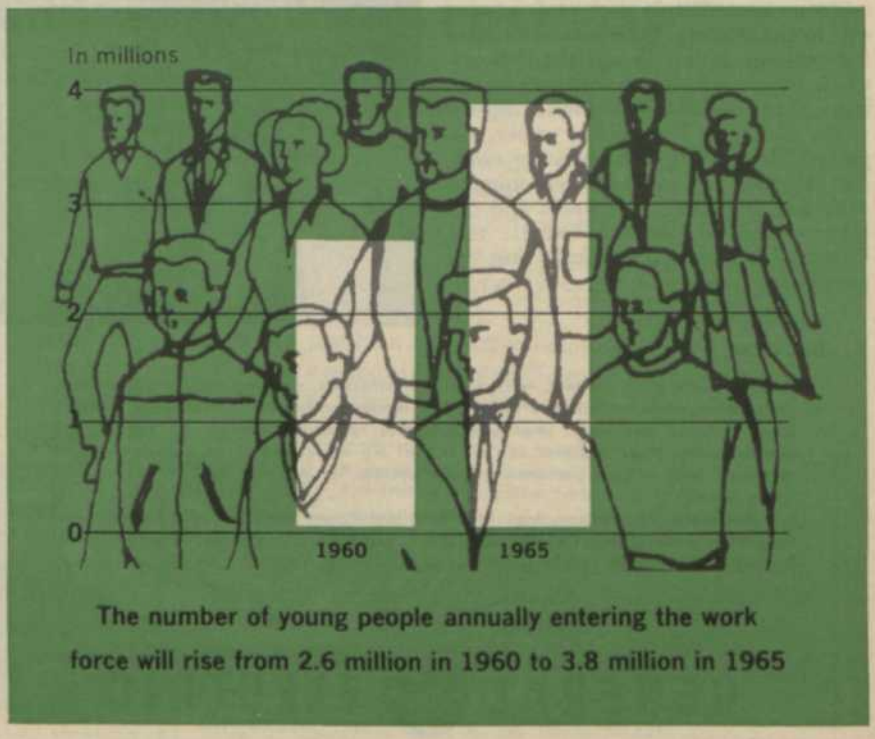
A recent U. S. Senate report pointed out:

"The conditions of insecurity and hopelessness that characterize the lives of many unemployed young people threaten their acceptance of traditional American ideals. What they need and cannot find is jobs. Given jobs, many of them will make a successful transition into the adult world and a useful contribution to the nation's strength. Without jobs, continuing moral degeneration is inevitable."

The Senate report was issued, not in support of a program to provide jobs for youth in private employment, but in support of a federal Youth Conservation Corps to cost $50 million a year in tax money.

Earlier this year the Manpower Development and Training Act was enacted, providing $435 million for a federal program to retrain up to a million Americans in areas where jobs are scarce. Last year, the Area Development Act was passed. It too, provides retraining for the unemployed.

While these programs are being cranked into action, the minimum wage law is discouraging private businesses from continuing or tak-



The number of young people annually entering the work force will rise from 2.6 million in 1960 to 3.8 million in 1965

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Since the installation of G. E. two-way radios, salesmen for Dallas Nurseries Garden Center, Dallas, Texas, estimate jobs and sell landscaping in one stop. Sales are now often made on the spot, which is a definite competitive edge. Exact delivery dates can be quoted to the customer immediately after a quick radio call to the nursery. On the job, workers use two-way radios to tell the delivery truck driver when they are ready for trees, shrubs, plants, sod and materials.

Mr. J. Grady Brown, Jr., owner, reports: "Because of G. E. two-way radio our salesmen sell many more customers each day, and our landscapers and delivery men can easily handle the increased volume. At the same time we are cutting costs."



Builders, auto parts jobbers, refrigeration contractors, vending machine operators, distributors, wholesalers are among the many businessmen who have boosted sales, reduced overhead, improved customer relations through the use of G-E mobile radio. Your business can do it too! An office and three vehicles can be equipped with a high performing radio system for as little as $297 down and $13 a week.

For more information, look in the Yellow Pages under "Radio Communications," or write General Electric Company, Communication Products Department, Section 50102, Mountain View Road, Lynchburg, Va.

GENERAL ELECTRIC

UNEMPLOYMENT

continued

ing on traditional training and retraining functions.

The president of a Chicago clothing company notes that his organization has about 100 people constantly in training. "We find that we could hire trainees for the training period at less than $1.15 if the law allowed," he said. "Probably 60 per cent of the time is paid on a basis of pure training and no productive work is accomplished," he adds. So the 15 cents an hour rise "has increased our costs about $18,000 a year before you add the fringe costs."

A Minnesota sportswear manufacturer writes:

"We are garment manufacturers in a depressed area. We are a union shop having good relations with our union. We like to see our employes make as high wages as they can earn.

"Whenever the minimum wage is increased where there is an abundant supply of untrained help it increases our cost of training and means we are going to be more selective in training new employes. In addition, of course, it increases the number of unemployed because we cannot expand as fast.

"The present Administration has made a lot of promises about training new employes. We have had almost a dozen different people here in Duluth and our plant in Wisconsin talking about training on the job and off the job, setting up schools, etc. It would be so much easier to promote training and increase our production if we were given the opportunity to train in new help at, say, 25 per cent below whatever the minimum wage increase is. This would save the government thousands of dollars in training costs."

How attitudes change

Other businesses have completely abandoned their training programs because they have become too costly. A Michigan automotive jobber, for example, says:

"We had always had a training program for new employes which in itself is expensive, and when the minimum wage was increased we had to discontinue this training program and hire only people as we needed them on a productivity basis. In other words the average number of employes that we now have is about five per cent lower

(continued on page 122)



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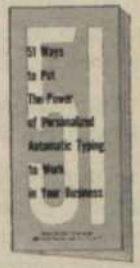
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DWIGHT D. EISENHOWER

FREE MEN DO NOT REMAIN FREE UNLESS THEY ACT AS FREE MEN

All your life, you have heard it said that the power of the government derives from the people. Here in America, that is true.

But the power of the government gravitates into the hands of officeholders, lawmakers, bureaucrats, who tend to feel that they are the source of the power rather than merely public officials designated to direct it—and who like to see the government grow and expand. Thus it is that free men—from whom the power of the government derives—do not remain free unless they *act as free men*, unless they exercise their right to express themselves.

If we the people want certain national policies established—or certain national programs put into effect, or *not* put into effect, as the case may be—then we must let our elected representatives know what we want, and why.

More than that, we must start at the beginning, and elect intelligent, honest, open-minded and reasonably objective men to public office.

How?

The answer is: by getting into politics.

NONPARTISAN

To equip and encourage businessmen and others to be more active, more useful and more influential in politics, in the public interest, the National Chamber sponsors and promotes an ACTION COURSE IN PRACTICAL POLITICS. The ACTION COURSE IN PRACTICAL POLITICS is nonpartisan. It shows the individual how to work in the political party of his choice.

It is designed for groups of 12 to 20 persons.

The Course consists of nine two-hour workshops—to be held once a week—and to be sponsored by a business firm, service club, women's group, school or college, local chamber of commerce, trade or professional association, or political organization.

MATERIALS

The work materials for use in the Action Course, are these:

PAMPHLETS—Eight booklets, covering every important phase of politics, and prepared with the help of career politicians, men and women who understand politics from the inside out.

CASE PROBLEMS—To-the-point descriptions of actual political problems common to most communities—for use in the workshops to show how to analyze political situations, how to work out sound solutions.

ASSIGNMENT GUIDES—Outlines explaining how and where to get information about government and the political parties in the local community, county and state.

DISCUSSION LEADER'S MANUAL—Shows the discussion leader how to set up and conduct the workshops, how to keep the discussions interesting, fast-moving and productive.

WHAT THE NINE WORKSHOPS COVER

Each workshop is a discussion session, no lectures. Each workshop is devoted to one important aspect of politics covered in one of the booklets. The participants read the booklet in advance, together with the related case problems—and come to the class prepared to take full part in the discussion.

Here is an outline of what each of the nine workshops does for the participants:

1. *The Individual in Politics*—Tells why the individual citizen should be active in politics, and shows the ways in which he can work effectively through the political party of his choice.

2. *Political Party Organization*—Shows how the major political parties are organized.

3. *The Political Precinct*—Shows how to get started in politics. Explains the relationship of the precinct to the party organization. Discusses the functions of the precinct leader and worker—key figures in the outcome of every election.

4. *The Political Campaign*—Shows how to plan, organize and conduct a political campaign. Also: how to raise money; how to get out the vote; how to influence the undecided; how to put meaning, power and persuasion in campaign and election-day activities.

5. *Political Clubs*—Describes various types of political clubs; shows the part political clubs play in winning elections. Tells how to organize a club, how to develop a program of activities, how to build membership.

6. *Political Leader's Problems*—Discusses the political leader's problems—how to man the precincts; how to train party workers so that they will work with zeal and understanding; how to keep the people in the party *pulling together* to win the election.

7. *Political Meetings*—Shows how to plan, promote, set up and conduct a smooth-running, persuasive and result-getting political meeting—all the way from the small strategy session to the big, all-out political rally.

8. *Businessmen in Politics*—Shows the part business firms and voluntary associations of businessmen can play in politics—and how they can increase the number of individuals active in politics.

9. *The Politicians Speak*—In this final workshop, the participants in the Course sit down with experienced political leaders of both parties, from the community, county and state—and talk over with them actual political operations, tactics and problems.

ACTION COUNTS

The power of the government derives from the people—and to amount to anything, it must be expressed in action. You are urged to launch an ACTION COURSE IN PRACTICAL POLITICS in your community—in your firm or in your organization.
Use the order form below to order the work materials. If these materials are not up to your expectations, your money will be refunded.

CHAMBER OF COMMERCE OF THE UNITED STATES
WASHINGTON 6, D.C.

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COMMENTS

"Out of our first 327 Action Course graduates came 75 voluntary political party workers, 5 precinct chairmen, 12 county finance committeemen, 6 campaign advisers, 1 state representative, 1 city councilman, 1 city councilwoman, 1 congressional campaign manager, 1 township trustee."
Mansfield, O.,
Chamber of Commerce

"The greatest benefit to me was the knowledge that good government depends upon the individual's participation in government through the political party of his choice. Being active in politics yourself is the only way you can ever be sure your own ideas are considered."
ED LONDON,
Morton Parts,
Caterpillar Tractor Co.,
Peoria, Ill.

"More than 2,200 of our 3M people have participated in this Action Course, and interest indicates that there will be more to follow. Government today represents the biggest business in the world, and unless businessmen are willing to give a part of their time and experience at working to control this huge operation, there is little basis for our common complaints of excessive spending, waste and mismanagement."
HERBERT P. BUETOW,
President, Minnesota Mining
and Manufacturing Company,
St. Paul, Minn.

"The Action Course in Practical Politics removed much of the distaste which I had felt previously for politics. I was pleased with the broad-minded, nonpartisan approach used in presenting the information. The course was sufficiently stimulating to get me a block worker's job in the past election—a most interesting and rewarding experience."
WENDELL P. METZNER,
Research Center
Administrative Services,
Monsanto Chemical Company
St. Louis, Mo.

"I found the Action Course to be very much worth while. I had considered myself fairly well informed on public affairs, but it was surprising to me to learn how little I actually knew about the workings of government bodies and political parties. Last November, I worked at the polls on election day."
ROBERT K. WAGNER,
Assistant Director,
Advertising and Public Relations,
Koppers Company, Inc.
Pittsburgh, Penn.

"I enrolled in this course to learn how the individual can be effective in promoting good government. I found that politics *is* government, that the American system depends on political organization, and that without politics and politicians, order and stability are virtually impossible. This course can be the source of a fresh resolve to be a better citizen, and to work for one's party instead of merely criticizing policies and people the other fellow has worked to promote."
GERTRUDE H. KUHNS,
Office Supervisor,
General Legal Department
Armstrong Cork Company
Lancaster, Penn.

"I am extremely enthusiastic about the Action Course in Practical Politics. It helped me train, encourage and equip many individuals in our community to become politically active. The course made me realize more fully the danger of apathy toward government. I believe political leaders control the government from the federal level down to my community and school board, and that responsible citizens should not sit on the political sidelines."
JANE GOSSELIN,
Salesperson,
Frederick & Nelson
Seattle, Wash.

"Completion of the Action Course not only made it easier for me to be become a part of the local party organization, it made me welcome. The Course was valuable in that it clearly convinces that in politics, results do not just happen—they are made at the lowest level of our political structure."
DONALD G. BYERS,
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and Purchasing Department
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UNEMPLOYMENT

continued

than before the minimum wage was increased."

Some businessmen note a change in attitude of workers newly covered by the federally increased wage. A Louisiana auto agency writes:

"Our good employes, the ones who have in the past been loyal, hard working, ambitious and valuable to the company . . . have not changed. Practically all these people had already been making far in excess of the minimum wage. Those employes, however, that we have in the past considered marginal . . . have been affected in that their attitude has changed to the point where they feel that now since Uncle Sam is going to take care of them in this matter, they do not necessarily need to put themselves out unduly to maintain a satisfactory attitude or production for us. Out of about 25 employes to whom the minimum wage would apply . . . we have found it necessary to dismiss approximately five of these people because of their changed attitude and indifference toward doing a satisfactory productive job."

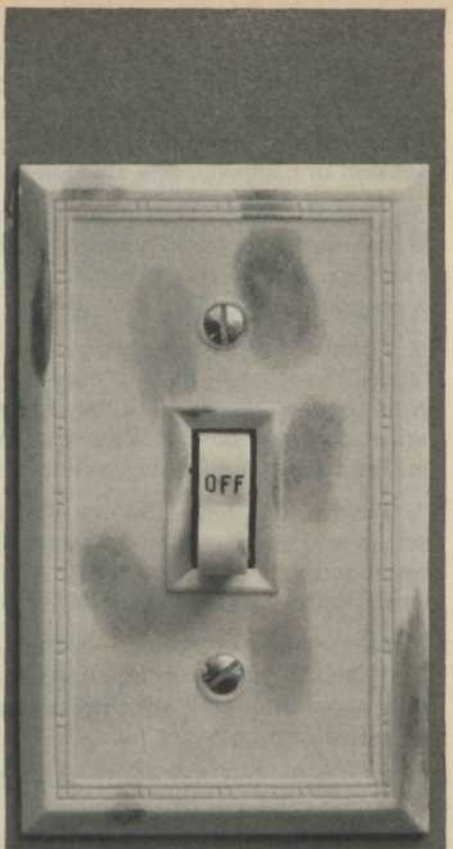
Older employes are victims

Older, slower employes are often the victims rather than the beneficiaries of minimum wage raises. The general manager of a Midwest electrical manufacturer points out:

"The harmful effects of the law are many. We employ nearly 75 per cent female help and two of our plants are located in small towns in Indiana. Every time the minimum wage is increased, we are obliged through self-preservation to discharge some of the older and less-efficient employes as they cannot possibly make the rates that are established or do sufficient work to enable us to be competitive.

"Another evil effect is that it raises the cost of goods produced in the U. S. A. and enables other nations with lower wage rates to sell their products in the United States of America, putting additional people out of employment. These unemployed people are either drawing unemployment compensation, which is taxes against all goods produced in this country, increasing the cost and selling price, or are supported through charity, which is also a tax against everybody that is employed and everyone in business."

The president of a New Jersey



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pencil company reports this effect on his company:

"We were not so concerned with the few people that came under this (new minimum). What did happen, however, was that we had to give increases throughout the entire wage scale which far superseded labor demands under our union contract.

"Since we have not been able to increase prices on our pencils, we are caught in a profit squeeze which means reducing our advertising budget, cancelling proposed plant expansion and the purchasing of new machinery and equipment. When our profit picture changes for the better, we will then proceed with our expansion program, not before."

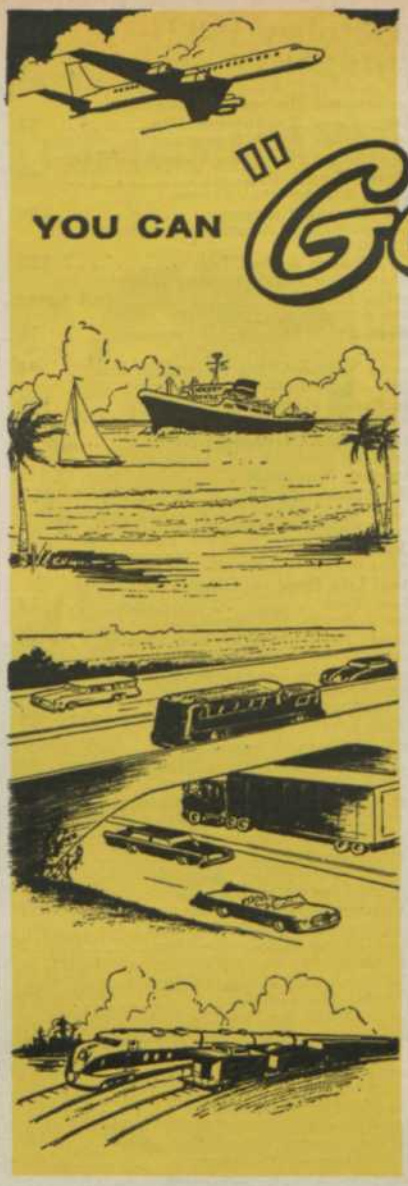
This indicates the minimum wage effects are also thwarting Kennedy Administration programs to stimulate business growth, such as the program to give federal tax credits for capital expenditures aimed at modernizing business equipment.

An Ohio packaging corporation

U. S. Labor Department reports that in the first year of operation of the 1961 minimum wage increase workers covered by the law got a $536 million raise.

The first-year increase from $1 to $1.15 an hour had added $336 million to the income of 1.9 of the previously covered 24 million wage earners. Some $200 million also has been added to the income of 663,000 of the 3.6 million newly covered workers in retail and other jobs who now get at least $1 an hour.

The added income is also, of course, more than a half billion dollar boost in labor costs—not counting fringe benefits—for employers.



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THIS 10 BILLION DOLLAR CONSUMER MARKET HAS TRANSPORTATION TO EVERYWHERE!

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Florida's great system of highways, waterways, railroads and airlines adequately serves our thriving industries and the 6,000,000 permanent residents and over 13,000,000 annual visitors comprising our growing 10 Billion Dollar Market.

Florida has 13 deep water ports with full facilities. Trailership service is available to New York, the Caribbean and Latin American ports. There are more than 65 American and foreign shipping firms with scheduled services to Florida. Exports, imports and domestic cargoes far exceed 34,000,000 tons a year.

Over 67,000 miles of fine roads serve every part of the state. Low cost motor transport is a real Florida feature, since there are no mountainous areas. 13 railroads with a total of over 4600 miles of tracks and complete trailer-train service...23 commercial airports with 36 scheduled airlines serving the state . . . overnight service with Caribbean and Latin American markets...an increase of 81% in air travel in 8 years . . . are just a few of Florida's vital facts on transportation.

Florida needs your plant and your services in its humming moon-boost projects. Combine a sunny vacation with your plant site inspection tour! You'll find Florida's business climate is the nation's healthiest, profits are greater, and year-'round recreation and fine educational advantages await your employees and your family. Mail the coupon for details.

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GOVERNOR

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Mr. Wendell Jarrard, Chairman
Florida Development Commission
Box 4209B - Tallahassee, Florida

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Advertisers in this issue • October 1962

	Page
Acorn Chemical Co., Amspro Div. *Hesselbart & Mitten Company, Akron*	100
Aetna Life Insurance Company *Chirurg and Cairns, Inc., New York*	22
Alameda County, Metropolitan Oakland Area *Reinhardt Advertising, Inc., Oakland*	10
All-Steel Equipment, Inc. *Frank C. Nahser, Inc., Chicago*	56
Aluminum Company of America, Pigments Division *Ketchum, MacLeod & Grove, Inc., Pittsburgh*	53
American Appraisal Company, The *The Cramer-Krasselt Company, Milwaukee*	44
American Automatic Typewriter Company *Rosenbloom/Elias & Associates, Inc., Chicago*	73, 74, 75
American Telephone & Telegraph Company, Business General *N. W. Ayer & Son, Inc., Philadelphia*	125
American Telephone & Telegraph Company, National Yellow Pages Service *Cunningham & Walsh, Inc., New York*	69
Anaconda Company, The *Kenyon & Eckhardt, Inc., New York*	71
Armco Steel Corp., Metal Products Div. *Marsteller, Inc., Pittsburgh*	84, 85
Atlantic Steel Company *Lowe & Stevens Advertising, Atlanta*	95
Burroughs Corporation *Campbell-Ewald Company, Detroit*	103
Butler Manufacturing Company *Aubrey, Finlay, Marley & Hodgson, Inc., Chicago*	18, 19
Chamber of Commerce of the United States	108, 120, 121
Chevrolet Motor Div. of General Motors Corp., Auto Fleet *Campbell-Ewald Company, Detroit*	80, 81
Chrysler Division, Chrysler Corp. *Young & Rubicam, Inc., Detroit*	3rd Cover
Colorado, State of, Department of Development *William Kostka & Associates, Inc., Denver*	100
Denver Chicago Trucking Company *Broyles, Allebaugh & Davis, Inc., Denver*	101
Detroit Diesel Engine Div. of GMC *Kudner Agency, Inc., New York*	63
F. W. Dodge Corporation *G. M. Basford Company, New York*	64, 111
Dodge Div., Chrysler Corp., Trucks *Batten, Barton, Durstine & Osborne, Inc., Detroit*	114, 115
Dow Jones & Company, Inc. *Batten, Barton, Durstine & Osborn, Inc., New York*	72
Eaton Paper Corporation, Nascon Specialty Products Div. *Jules L. Kline Advertising, Springfield, Mass.*	96
Ebco Manufacturing Company, The *Meldrum & Fewsmith, Inc., Cleveland*	49
Equitable Life Assurance Society of the United States *Foote, Cone & Belding, N. Y.*	15
Executone, Inc. *G. M. Basford Company, New York*	102
Firestone Tire & Rubber Company *Campbell-Ewald Company, Detroit*	6
Florida Development Commission, Industrial Div. *Alfred L. Lino & Associates Advertising Agency, St. Petersburg*	123
Ford Motor Company, Auto Fleet *J. Walter Thompson Company, Detroit*	106, 107
Ford Motor Company (Trucks) *J. Walter Thompson Co., Detroit*	54, 55
Friden, Inc. *Richard N. Meltzer Advertising, Inc., San Francisco*	89
General Electric Co., Communication Products Dept. *Ross Roy, Inc., New York*	118
Gestetner Corporation *Bruce Angus Advertising Agency, N. Y.*	109
Goodyear Tire & Rubber Company *Kudner Agency, Inc., New York*	11
Greyhound Corporation, The *Grey Advertising Agency, Inc., New York*	47
Guttman, Martin, A.I.A. *Direct*	92
Hammond Organ Company *Young & Rubicam, Inc., Chicago*	25
John Hancock Mutual Life Insurance Co. *McCann-Erickson, Inc., N. Y.*	98
Heyer, Inc. *The Biddle Company, Bloomington, Ill.*	72
Inland Steel Products Company *Hoffman, York, Paulson & Gerlach, Inc., Milwaukee*	67
Insurance Company of North America *N. W. Ayer & Son, Inc., Philadelphia*	16, 17
International Business Machines Corporation (Electric Typewriter Div.) *Benton & Bowles, Inc., New York*	83
International Harvester Company, Inc., Farm Equipment Div. *Aubrey, Finlay, Marley & Hodgson, Inc., Chicago*	93
International Harvester Company, Inc., Motor Truck Div. *Young & Rubicam, Inc., Chicago*	26
E. F. Johnson Company *Firestone-Goodman Advertising Agency, Inc., Minneapolis*	100
S. C. Johnson & Son, Inc. *Needham, Louis & Brorby, Inc., Chicago*	122
Kentile, Inc. *Benton & Bowles, Inc., New York*	2nd Cover
Lathem Time Recorder Company *J. Howard Allison & Co., Atlanta*	70
Lincoln National Life Insurance Co. *Maxon, Inc., Detroit*	94
Listo Pencil Corporation *Cunningham & Walsh, Inc., San Francisco*	100
Marsh Stencil Machine Co. *Frand Block Associates, St. Louis*	92
Minnesota Mining & Manufacturing Co. *Erwin Wasey, Ruthrauff & Ryan, Inc., St. Paul, Minn.*	104, 105
Mutual Benefit Life Insurance Company *Donahue & Coe, Inc., New York*	79
Mutual Life Insurance Co. of New York *Benton & Bowles, Inc., New York*	13
National Cash Register Company *McCann-Erickson, Inc., New York*	30
National Truck Leasing System *Stevens & Kirkland Advertising, Chicago*	122
New York Life Insurance Co. *Compton Advertising, Inc., New York*	50
New York State Department of Commerce, Industrial Development *Batten, Barton, Durstine & Osborn, Inc., N.Y.*	14
North American Phillips Company *Sam Groden, Inc., New York*	113
Occidental Life Insurance Company of California *Fuller & Smith & Ross, Inc., Los Angeles*	45
Olympia Typewriter Div., Inter-Continental Trading Corporation *Mann-Wesley, Inc., New York*	61
Oxford Filing Supply Co., Inc. *Kelly, Nason, Inc., New York*	12
Ozalid Division of General Aniline & Film Corporation *Lennen & Newell, Inc., New York*	65
Photorapid Corporation *Wade Advertising, Inc., Hollywood, Cal.*	91
Pitney-Bowes, Inc. *L. E. McGivena & Company, Inc., New York*	77
Recordak Corporation *J. Walter Thompson Company, New York*	4, 5
Rilco Engineered Wood Products—Weyerhaeuser Company *Cole & Weber, Inc., Tacoma, Wash.*	60
Rock Island Lines *Aubrey, Finlay, Marley & Hodgson, Inc., Chicago*	97
Royal Typewriter Company, Div. of Royal McBee Corp. *Young & Rubicam, Inc., New York*	119
San Diego Chamber of Commerce *Barnes Chase Advertising, San Diego*	46
Smith-Corona Marchant, Inc., Office Products Div. *Batten, Barton, Durstine & Osborn, Inc., N.Y.*	4th cover
Snelling & Snelling *Erwin Wasey, Ruthrauff & Ryan, Inc., Philadelphia*	112
Speed Queen, Div. of McGraw-Edison Co. *Geer-Murray, Inc., Oshkosh, Wis.*	48
Standard & Poor's Corporation *Edwin Bird Wilson, Inc., New York*	100
Telefunken Division, Inter-Continental Trading Corp. *Mann-Wesley, Inc., New York*	21
Todd Company Division, The Burroughs Corporation *Campbell-Ewald Company, Detroit*	82
Travelers Insurance Company, The *Young & Rubicam, Inc., New York*	110
United States Plywood Corporation *Kenyon & Eckhardt, Inc., New York*	20
Varco Steel, Inc. *James H. Faulkner, Advertising, Pine Bluff, Ark.*	29
Victor Business Machine Company *John W. Shaw Advertising, Inc., Chicago*	79
Vogel-Peterson Company *Ross Llewellyn, Inc., Chicago*	100
Western Electric Company *Cunningham & Walsh, Inc., New York*	1
Whirlpool Corporation *Netedu Advertising, Inc., St. Joseph, Mich.*	66

Regional Advertisements

Nation's Business	99
Texas Employers Insurance Association *Glenn Advertising, Inc., Dallas*	99
Western Airlines *Batten, Barton, Durstine & Osborn, Inc., N. Y.*	99

UNEMPLOYMENT

continued

reports: "This 15 per cent increase in direct costs became close to 20 per cent with taxes and other fringes added. Therefore we were faced with the problem of what to do about $100,000 increase in cost of labor.

"Just as in the past, we decided that the only way was to trim out every bit of spare, marginal, old and unskilled workers.

"Over the past eight or 10 months we got rid of at least 25 workers permanently.

"To date we know of none of these who has been able to find factory jobs, since no one else particularly wants them.

"Plans for expansion, new machinery purchases, etc., have all been deferred due to the increased cost of labor absorbing this money. The next (increase in the minimum wage in 1963) has us puzzled, because we know of no further way to cut. Price increases on our products are perhaps the only way out, and that will hurt as much as it helps."

Some companies answering the survey worry about potential future impact of the wage-hour law, particularly if it is extended to other businesses as proponents want to do in the next Congress.

An executive of a large Cleveland machinery manufacturer puts it this way:

"Our concern is that the whole economy may be affected by expansions of the Fair Labor Standards Act such as the inclusion of hotels, motels, restaurants, and laundries, because:

"Such expansion will raise the cost of these service industries. Indirectly they will tend to increase the cost of other American products and services at a time when foreign competition is an increasing problem.

"If the expansion of the service industries is impeded to the point where people are laid off, the result will be to increase unemployment in the very activities which have recently been a source of increasing unemployment.

"I believe there is a place in our economy for some employment at marginal wages to facilitate the employment of people who would not be good employes at a higher wage rate. To eliminate such opportunities, I am afraid, adds to the hard core of the chronic unemployed." **END**

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BELL TELEPHONE SYSTEM

FISCAL RESPONSIBILITY

President Kennedy describes his promise to propose tax cuts next year as an act of fiscal responsibility.

For, as he says, "Our tax rates are so high as to weaken the very essence of a free society—the incentive of additional return for additional effort."

Mr. Kennedy also recognizes that a tax cut would reduce federal revenues temporarily. He says some of the reduction would be offset by an anticipated $3 billion of saving in Defense Department spending, and more economy efforts in other federal departments.

At the same time, the President promises to use the full weight of his office next year to persuade Congress to pass:

A $2.5 billion health plan for some of the elderly under social security.

A $3 billion package of federal subsidies for schools.

A $200 million Youth Conservation Corps.

Letting these die—as Congress has done this year—would be a further demonstration of fiscal responsibility.

It would also vastly increase the chance of the tax cut the President says we need.



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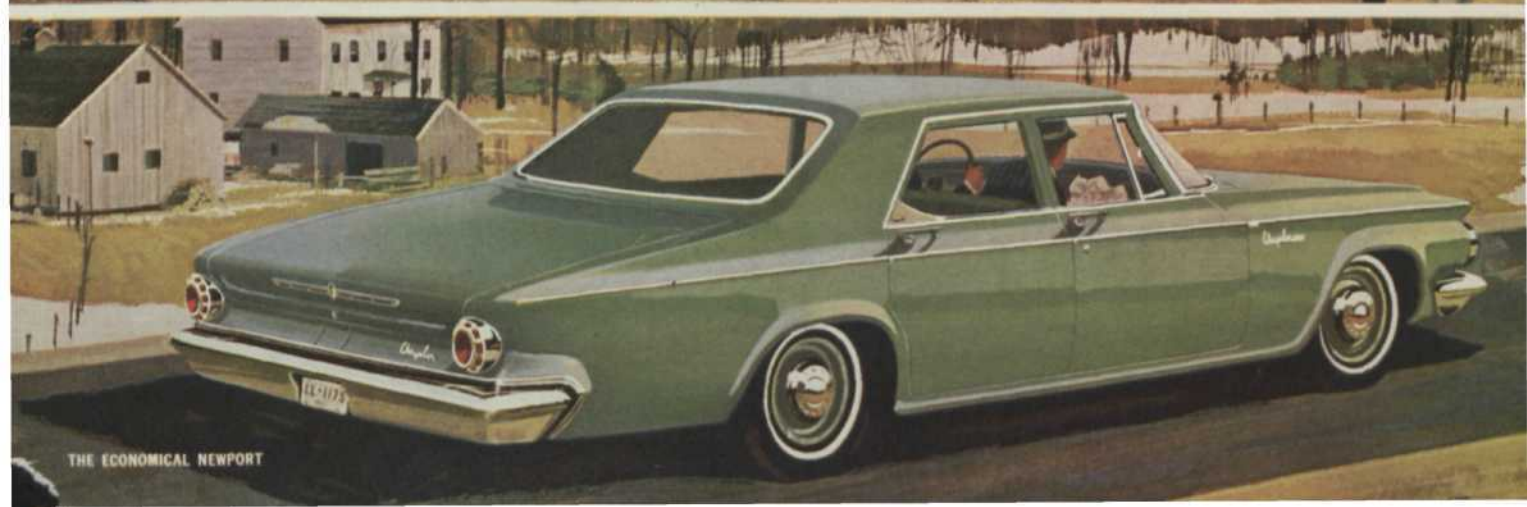
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